

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

ANNEX SFDR – EXANE CERES FUND

Product name: EXANE FUNDS 1 - EXANE CERES FUND (the "Sub-Fund")

Legal entity identifier: 529900SYOK4VI5Z75F43

Environmental and/or social characteristics

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.

Does this financial product have a sustainable investment objective?

<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> Yes	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> No
<p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___%</p> <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%</p>	<p><input checked="" type="checkbox"/> 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 <u>20</u>% of sustainable investments</p> <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> with a social objective <p><input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>



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

The Sub-Fund's promotion of environmental and social characteristics consists of favouring, within the investment universe, those companies that best address the environmental and social risks and factors they face and adapt their business models and strategies to these new challenges, by ensuring that the average ESG risk rating of the long portfolio is better than that of its investment universe.

The Sub-Fund also seeks to maintain the average carbon intensity of its portfolio below that of its investment universe.

Moreover, the Sub-Fund intends to make sustainable investments based on the analysis of target companies' positive exposure to the SDGs, aimed at assessing the ability of their products and services to meet environmental and societal challenges, such as access to renewable energies, efficient resource management or access to healthcare services.

In addition, the Sub-Fund has an exclusion policy based in particular on strict exclusions for companies not complying with international conventions (Oslo/Ottawa), and sectoral exclusions based on ESG considerations, as further detailed below.

Finally, the Management Company implements an active engagement approach in its investments, through an ongoing and documented dialogue with the invested companies and formalised in an engagement policy.

No specific index has been designated as a reference benchmark to determine whether the Sub-Fund is aligned with the environmental and/or social characteristics that it promotes.

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

The sustainability indicators used to measure the attainment of each of the promoted environmental or social characteristics are as follows:

- ESG risk ratings on the Sub-Fund's portfolio and initial investment universe (global, with an emphasis on Europe) attributed by Sustainalytics®, an external source and recognised market reference in ESG analysis adopting a sectoral risk approach consistent with the investment philosophy of the Sub-Fund, and those resulting from the Management Company's internal analysis entered in a proprietary tool "i-ESG";
- the difference between the average ESG risk rating of the long portfolio and the average ESG risk rating of the initial universe;
- the average carbon intensity of the portfolio (tCO₂/mEUR of turnover; aggregated at portfolio level; scope 1 +2 of the GHG Protocol) and of the Sub-Fund's investment universe;
- the share of investments involved in all the excluded activities described below;
- the share of sustainable investments.

- **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?**

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

The sustainable investment objectives that the Sub-Fund partially intends to make are:

- Contribution to the United Nations' Sustainable Development Goals (SDGs). The objectives may be social and/or environmental.
A company's positive exposure to the SDGs is thus analyzed to assess the ability of its products and services to meet environmental and societal challenges, such as access to renewable energies, efficient resource management or access to healthcare services. For each company, the Management Company collects from Sustainalytics® a list of its activities linked to each of the 17 SDGs. An investment is identified as having a positive contribution if at least one of its activities (measured as a share of turnover of the company (%)) is strictly greater than 0.1% for at least one of the SDGs;
- A minimum governance score of 40/100 (as attributed by the above-mentioned external source) is required;
- An objective of absence of controversies at an estimated level of severity at 4 or 5 according to the same external source: Sustainalytics® provides a score, ranging from 1 to 5 (5 being the worst score), which measures the severity of a company's controversies. The Management Company excludes from the definition of sustainable investment any company whose score, as estimated by the external source, is equal to 4 or 5.

For an investment to qualify as sustainable, it must cumulatively meet the three criteria listed above. The sustainable nature of an investment is assessed at the level of the investee company. The Sub-Fund is not currently committed to investing in sustainable investments with an environmental objective aligned with the EU taxonomy.

- **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?**

To ensure that the Sub-Fund's sustainable investments do not cause significant harm to any environmental or social objective ("**DN**SH"), the Management Company performs an initial filter against its ESG exclusion lists, takes into account the principal adverse impacts (PAI) of these investments on sustainability factors, and verifies that the investment is free from controversies with an estimated severity level of 4 or 5 (source: Sustainalytics®).

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

Taking into account adverse impact indicators is based on monitoring the 14 mandatory Principal Adverse Impact indicators listed in Table 1 of Annex I of the European Commission's Delegated Regulation (EU) 2022/1288, combined with the application of specific thresholds or rules:

- Be exempt from any activity negatively affecting the biodiversity of sensitive areas (unit: yes/no);
- Have a company board whose diversity is at least 25% and which does not belong to the last decile compared with other companies in its sector (unit: %).

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

Through the consideration of PAIs, and in particular the use of the following social PAIs, the investments of the Sub-Fund comply with the targeted principles:

- Violation of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises,

- Absence of processes and mechanisms to monitor compliance with the UN Global Compact and OECD Guidelines for Multinational Enterprises.

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,

the Management Company takes into consideration the principal adverse impacts (“PAIs”) applicable to the Sub-Fund’s strategy. The consideration of the PAIs is reflected in the integration and exclusion approaches (normative and sectoral):

Integration: The purpose of conducting ESG analysis is to mitigate key negative sustainability impacts. Particular attention is paid to the mitigation of PAIs covering the GHG emissions reduction trajectory (PAI 1) and working conditions of employees and in the value chain (PAIs 10 and 11).

For GHG emissions, the reduction targets, their validation by an independent body (SBTi), the associated capital expenditure and the level of communication (reflected in the CDP score) supporting their credibility are analysed.

With regard to working conditions, the Management Company closely monitors the international standards respected by companies (UNGP, OECD and ILO texts) and their inclusion in a code of conduct, the training provided for this purpose and due diligence practices, particularly in the sectors most prone to problems of forced labour and child labour (such as food production or clothing).

Exclusion: The exclusion policy covers the most important risks related to sustainability factors and is applied in a binding and continuous manner. In particular, the exclusion policy targets many controversial weapons as well as companies that are not compliant with the United Nations Global Compact principles, in line with PAIs 10, 11 and 14 covering these aspects. The discretionary exclusion list is also updated regularly to allow for dynamic consideration of the PAIs. The Sub-Fund also makes sector exclusions based on, among other things, high carbon intensity. The energy, oil, mining and utilities sectors are thus excluded. PAIs 1, 2 and 3 are thus centrally considered in the construction of the portfolio. In addition, the Sub-Fund’s long portfolio has an improvement target on PAI 3 (compared to the investment universe).

The discretionary exclusion list is also updated regularly to allow for dynamic consideration of IAPs.

The consideration of the Principal Adverse Impacts in order to assess DNSH with respect to sustainable investments is specified above.

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.

More information on how the PAI on sustainability factors have been taken into account will be available in the Sub-Fund's periodic reports.

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.

Prior to any investment, the Management Company analyses each company from the perspective of its environmental (E), social (S) and governance (G) characteristics. The management team is particularly vigilant about the progress made by companies, the commitments they make for the future and any emerging controversies that may lead to rapid divestment.

Each investment opportunity is analysed in relation to ESG criteria, based on external data supplemented by an internal analysis based on the specific expertise of the Management Company.

The external data include ESG ratings and analysis supplied by a well-known market reference in ESG analysis, indicators developed by specialised players and ESG research provided by brokers.

ESG characteristics and the sustainability factors or risks associated with the investments are assessed by the Management Company through:

1. **an INTEGRATION approach**, favouring within the investment universe, on the basis of ESG ratings supplied by the external source Sustainalytics® supplemented by internal analysis, companies that best address the sustainability risks or factors they face and adapt their business models and strategies to these new challenges. The assessment is made on a case-by-case basis, and on the basis of intra-sectoral comparisons.

At least 90% of the securities in the portfolio (excluding bonds and other debt securities issued by public or quasi-public issuers and cash held on an ancillary basis) are subject to external and internal ESG analysis.

The Management Company undertakes to ensure that the average ESG risk rating of the long portfolio is better than that of its investment universe.

2. **an EXCLUSION policy**, consisting of (i) a list based on strict sub-sector exclusions related to controversial activities and values not complying with the United Nations Global Compact principles (details of which are available on <https://exane-am/ESG/investment-process>) and (ii) a list of stock exclusions based on ESG considerations.

The latter is determined by, among other things, high carbon intensity, with the investment universe being negatively screened to exclude sectors with high carbon intensity: the energy, oil, mining and utilities sectors are largely excluded, with the exception of companies whose activity results in a carbon intensity that is very significantly lower than the average for companies in the same sector, and in line with the market.

Further information on the exclusion lists is available on: <https://exane-am/ESG/investment-process>.

The ESG exclusion applies to long positions in the portfolio only.

3. **a COMMITMENT approach**, that takes the form of a constant and documented dialogue with companies' management in long and short positions. Within this framework, the Management Company aims to encourage issuers towards greater transparency and comparability with regard to ESG issues and the precise objectives that they may set for

themselves on these issues in the medium and long term, both through direct dialogue and by joining in with market initiatives.

4. a **CARBON REDUCTION** approach whereby the Management Company ensures that the average carbon intensity of the Fund's long portfolio remains below the average carbon intensity of the Fund's investment universe.

The carbon reduction analysis applies only to long positions in the portfolio.

Exceptionally, the Management Company may select an investment opportunity even if it has a low ESG rating (risk rating by the external source above 30), as a result of which certain investment decisions may not be ESG compliant.

However, this selection must remain exceptional and meet the following criteria :

- the internal analysis carried out by the Management Company concludes that the company concerned is subject to a high discount on its ESG rating;
- the company's management undertakes to make the necessary changes to significantly improve its ESG risk rating, without this being to the detriment of the company's profitability;
- regular exchanges with management are maintained.

These investment decisions and the monitoring of these criteria will be reviewed more frequently by the Management Company.

- **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 binding elements used to select the Sub-Fund's investments include the following main elements:

- **Integration approach:**
 - ESG Analysis > 90% of the portfolio
At least 90% of the securities in the portfolio (excluding bonds and other debt securities issued by public or quasi-public issuers and cash held on an ancillary basis) are subject to external and internal ESG analysis;
 - Long portfolio ESG risk rating < Investment universe ESG risk rating
This is to ensure that the weighted average of the ESG risk ratings (as attributed by the external source as mentioned above) of the long equity portfolio is better (thus lower) than that of its investment universe, which is defined as the global equity, with an emphasis on Europe;
 - Proportion of the long portfolio with an ESG risk rating above 30 < to 15%
This is to ensure that the proportion of securities in the long equity portfolio with an ESG risk rating above 30 as attributed by the external source does not exceed 15% of the long portfolio.
- **Exclusion policy:**

This is to ensure that none of the Sub-Fund's long positions violate the Sub-Fund's exclusion policies.

- **Carbon reduction approach :**

- Carbon intensity of the long portfolio < Carbon intensity of the investment universe

The aim is to ensure that the average carbon intensity of the long equity portfolio (tCO₂/mEUR of turnover; aggregated at portfolio level; scope 1 +2 of the GHG protocol) is lower than that of its investment universe (global equity market, with a preponderance of Europe).

- **Sustainable investments:**

The Sub-Fund invests at least 20% of the long exposure of the portfolio in sustainable assets as defined above.

ESG data used for the selection process may potentially be inconsistent, missing or not accessible, particularly when such ESG data is provided by external providers:

- Missing or incomplete disclosure of ESG information by the issuing companies,
- Sometimes complex identification of information and factors relevant to the ESG analysis of the provider's model.

These points constitute methodological limitations to the ESG rating process used.

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

Not Applicable (N/A). The Sub-Fund does not commit to a minimum rate of reduction in the scope of investments contemplated prior to the implementation of the investment strategy.

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

Firstly, governance practices are taken into consideration in the integration policy of the Sub-Fund, through the analysis of governance ratings, in particular in the field of Corporate Governance (including: Board structure, Remuneration policy, treatment of minority shareholders).

In addition, the Management Company engages in a regular dialogue with the management teams of the companies in which the Sub-Fund is invested in order to gain a better understanding of all these aspects. This dialogue constitutes a constructive approach by which the Management Company seeks to understand and analyse the issues and practices of the companies.

As the Sub-Fund intends to invest across all sectors, the Management Company is particularly vigilant with regard to the notion of transparency and quantifiable commitments from issuers regarding any planned progress over the next few years, ideally backed by empirically measurable criteria, which contribute materially to an improvement in practices.

The Management Company has formalised an engagement policy in order to enhance its approach of dialogue with the companies within the investment universe.

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



Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

A minimum of 85% of the long exposure of the portfolio will be invested in issuers aligned with the promoted E/S characteristics (#1 Aligned with E/S characteristics).

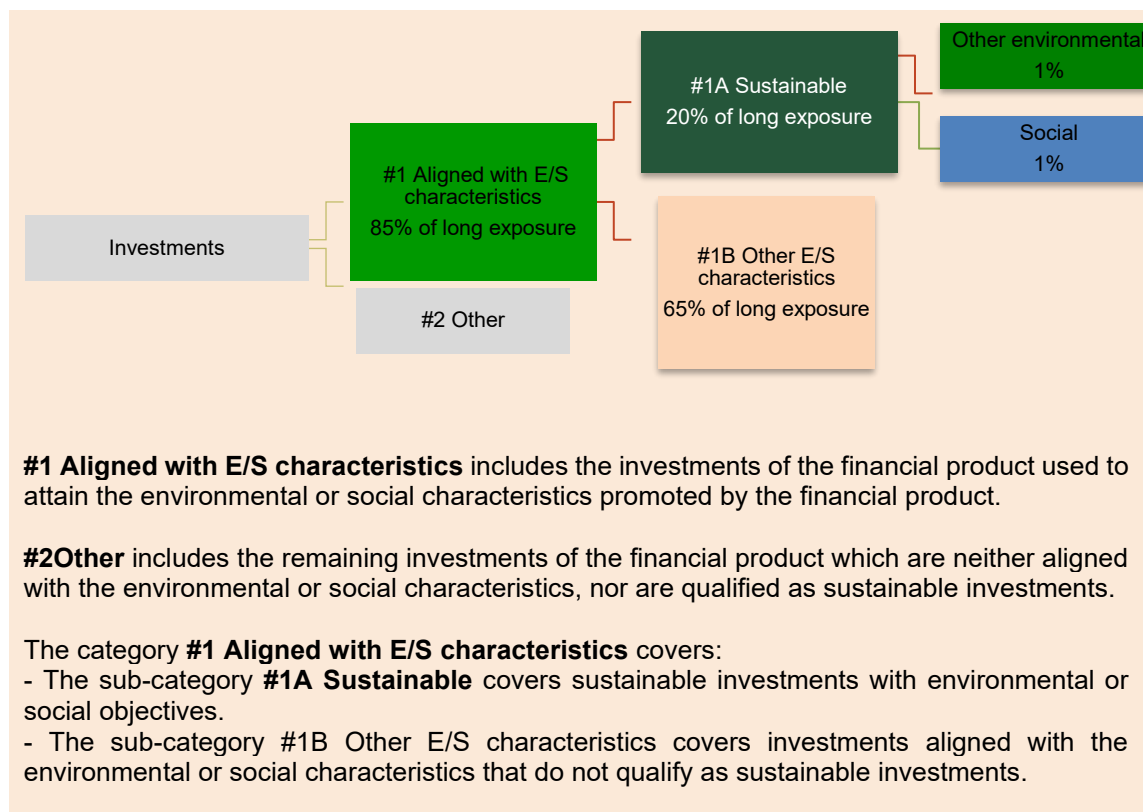
The minimum proportion of sustainable investments is 20% of long exposure (long positions excluding money market pocket).

Investments included under "#2 Other" may be (i) instruments related to the money market pocket (debt securities and money market funds), (ii) cash held on an ancillary basis, (iii) securities in the long portfolio issued by issuers that are not aligned with the promoted E/S characteristics and (iv) securities in the short portfolio.

These investments included under "#2 Other" may be invested in issuers that are not aligned with the promoted E/S characteristics (#2 Other).

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.



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

Derivatives are necessary for the implementation of the Sub-Fund's long/short strategy.

These derivatives are either directly linked to an underlying asset (equity CFDs) allowing the integration of ESG characteristics into investment decisions or linked to an index representative of the investment universe or a given sector, in each case according to a transparent approach for rating purposes.

Long and short positions are not compensated in terms of ESG data (rating, CO2 emissions, carbon intensity).



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

The Sub-Fund may invest in environmentally sustainable economic activities; however the Sub-Fund's investments do not take into account the European Union's criteria for environmentally sustainable economic activities.

However, this position will be reviewed as the underlying rules are finalised and the availability of reliable data increases over time.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹ ?**

Yes:

In fossil gas

In nuclear energy

No

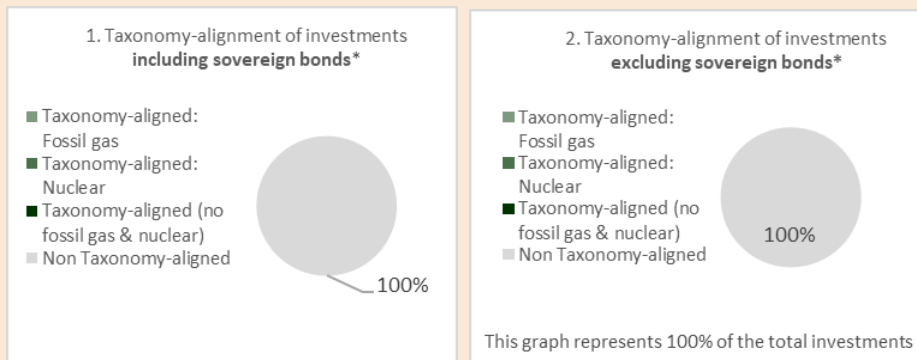
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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.

¹ 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.

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?**

The Sub-Fund does not commit to invest any “sustainable investment” within the meaning of the Taxonomy Regulation.



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

The Sub-Fund intends to invest a portion of its long portfolio in sustainable investments. These investments may contribute to environmental or social objectives. The minimum share of sustainable investments with an environmental objective that are not aligned with the EU taxonomy is 1%.

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 socially sustainable investments?

The Sub-Fund intends to invest a portion of its long portfolio in sustainable investments. These investments may contribute to environmental or social objectives. The minimum share of socially sustainable investments is 1%.



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

Investments included under “#2 Other” may be (i) instruments related to the money market pocket (debt securities and money market funds), (ii) cash held on an ancillary basis, (iii) securities in the long portfolio issued by issuers that are not aligned with the promoted E/S characteristics and (iv) securities in the short portfolio.

The money market fund and the short portfolio are subject to ESG analysis but none of the investments under “#2 Other” are not subject to minimum or social safeguards.



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.

Not Applicable (N/A).



Where can I find more product specific information online?

More product-specific information can be found on the website:

https://www.exane-am.com/s/exane-fonds?language=en_US&mktfam=lsa&fundId=a0e000000uoUQTQA2