

## APPENDIX TO SUPPLEMENT 2 – VARENNE VALEUR

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of 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.

**Product name:** Varenne Valeur (the “Sub-Fund”)      **Legal entity identifier:** 254900J6YMNBOZH9XH45

## Environmental and/or social characteristics

**Does this financial product have a sustainable investment objective?**

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

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.



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

The Management Company systematically incorporates the identification and measurement of sustainability risk in their Long Equity - Enterprise Picking Investment process by generating a proprietary ESG scores through a review of 40 factors, an analysis of environmental, social and governance factors, alongside conventional financial analysis. The Long Equity - Enterprise Picking strategy represents more than 50% of the assets of the Sub Fund.

In addition, the Sub-Fund will apply on the Long Equity-Enterprise picking strategy an exclusion policy that provides for excluding of companies operating in areas such as controversial and nuclear weapons, pornography, tobacco or are found to be in breach of the UN Global Compact principles as covered and assessed by the Sub-Fund’s data provider.

Finally, the Management Company will engage with companies held in the Sub-Fund that have a bottom quintile ESG to promote positive change in their ESG disclosures and/or ESG practices.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Sub-Fund, but for the purposes of comparison, the Management Company considers the investment universe.

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

- ***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 of the Sub-Fund for the Long Equity – Enterprise Picking are:

- The weighted average ESG score of the Sub-Fund and of the investment universe.
- The number of holdings in the Sub-Fund found to be in breach of the UN Global Compact principles (as covered and addressed by the Sub-Fund’s data provider).
- The number of holdings in the Sub-Fund with which the Management Company has a formal engagement plan.

- ***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?***

N/A

- ***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?***

N/A

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

**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.

N/A

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

N/A

*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, many adverse impacts that the Management Company considers to be material are interwoven into the core investment process for consideration, where possible and feasible. The Management Company has integrated into its processes procedures for considering these impacts through a combination of ESG-based exclusion, integration and engagement (as relevant). The sustainability factors that are considered are closely aligned in most cases with certain indicators for adverse impacts such as GHG

emissions, GHG intensity, exposure to companies in the fossil fuel sector, violations of the UN Global Compact, and board gender diversity.

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 Management Company has determined a list of ESG factors that are considered material to the companies in which the Sub-funds might invest. The weight that is placed on these factors and the manner in which the Management Company takes into consideration the risks and opportunities from these ESG factors varies by sectors/industries and impacts the internal scoring definitions scale (0 worst– 5 best) that is consistently used to assign internal ESG scores. The aggregate ESG scores are the weighted average of the E, S and G scores for the securities, utilizing weights that can vary by sector/industry.

Internal ESG scores and other relevant criteria are reviewed at least annually, and the Sub-Fund’s investment holdings on Long Equity - Enterprise Picking is reviewed before investment for compliance with the Sub-Fund’s ESG criteria. As such, this dedicated ESG analysis module is an integral part of the pre-investment analysis process: for a given company, an ESG score is given on a scale (1 worst– 5 best); if the ESG score is less than 3, then the company is not eligible for investment, no matter how strong the other analysis modules may be.

Below are the key environmental, social and governance factors that the investment team considers material to its internal ESG Scores.

<b>E factors</b>	<b>S factors</b>	<b>G factors</b>
<ul style="list-style-type: none"> <li>- Carbon emissions</li> <li>- Energy and Water Management Opportunities</li> <li>- Waste &amp; Hazardous Material Management</li> <li>- Biodiversity Impact.</li> </ul>	<ul style="list-style-type: none"> <li>- Employee Health &amp; Safety</li> <li>- Employee Engagement, Diversity, and Inclusion</li> <li>- Human Rights &amp; Community Relations</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate Governance</li> <li>- Business Ethics</li> <li>- Tax Transparency</li> <li>- Regulatory Risk</li> </ul>

Also, this Sub-Fund applies an exclusion policy that provides for excluding of companies operating in areas such as controversial and nuclear weapons, pornography, tobacco or are found to be in breach of the UN Global Compact principles as covered and assessed by the Sub-Fund's provider.

In addition, the Management Company considers it essential to be an active investor on behalf of the funds it manages and to participate in the consideration of environmental, social and governance issues through an appropriate voting policy.

The Management Company will engage with companies in the bottom quintile of the Sub-Fund to improve ESG disclosure and/or improve ESG practices. Engagement is integral to our fundamental research process, providing a framework for dialogue to actively support, influence or change ESG practices that may have a material impact on a company's ability to preserve or grow its economic value. In addition, the Management Company participates in a pooled engagement action. This allows the company to be part of a more global and broader approach and push for governance improvements in a wider universe than just the companies present in the Sub-Fund.

● ***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?***

There are 4 components to the binding criteria utilized to select the investments in the Sub-Fund, which are:

- To ensure the promotion of both environmental and social characteristics as well as good governance, the Sub-Fund's portfolio-level aggregate ESG score will be better than the Sub-Fund's (average score) investment universe,
- Any target company must have an internal ESG score equal or higher than 3.
- No invested securities will be in breach of the UN Global Compact principles (as covered and addressed by our provider).
- There will be a formal engagement plan for each security held in the Sub-Fund that has a bottom quintile ESG score.

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

N/A

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

This Sub-Fund provides that investee companies follow good governance practices by ensuring that companies in the Sub-Fund are in compliance to the United Nations Global Compact (as covered and assessed by our provider); by engaging with companies in the bottom quintile of the Sub-Fund in order to improve ESG disclosure and/or improve ESG practices. The analysis of the

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

company prior to investment and throughout the holding period includes consideration of, but not limited to, management structure, employee relations, remuneration and tax compliance.



**Asset allocation**

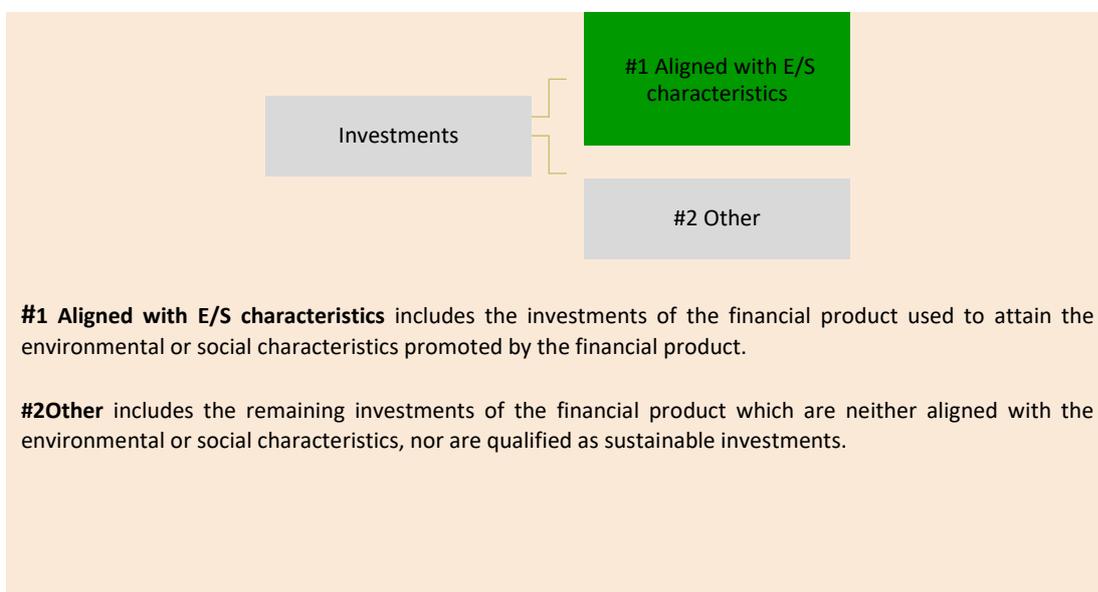
describes the share of investments in specific assets.

**What is the asset allocation planned for this financial product?**

The Sub-Fund will invest a minimum of 50% of its assets in securities aligned with the Environmental and Social characteristics (#1) promoted by the Sub-Fund. The remaining will be constituted by the other strategies of the Sub-Fund such as Special Situations, Financial contracts, cash or cash equivalents.

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.

**#2Other** 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?**

N/A



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

The Sub-Fund does not commit to making any sustainable investments. As a consequence, the Sub-Fund does not commit to a minimum extent of sustainable investments with an environmental objective aligned with the EU Taxonomy.

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.

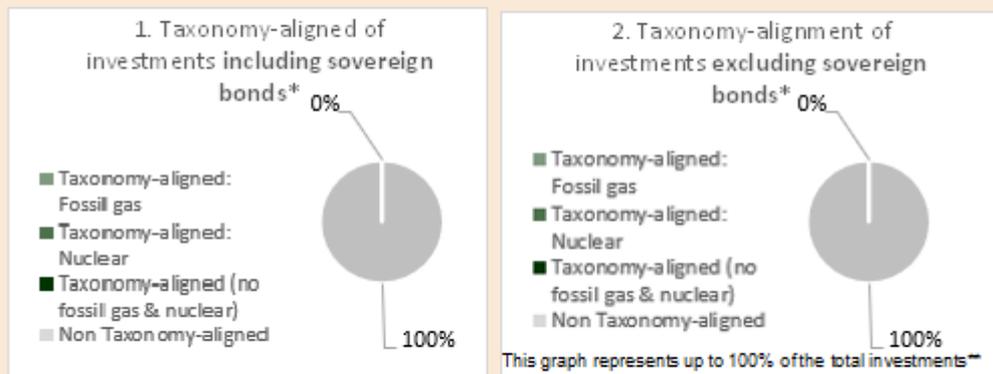
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**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.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>6</sup>?**

- Yes:  
 In fossil gas       In nuclear energy  
 No

*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  
 \*\* As the Sub-Fund does not commit to making sustainable investments aligned with the EU Taxonomy, the proportion of sovereign bonds in the Sub-Fund's portfolio will not impact the proportion of sustainable investments aligned with the EU Taxonomy included in the graph.

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

The Sub-Fund does not commit to a minimum share of sustainable investments with an environmental objective aligned with the EU Taxonomy, neither to a minimum share of investments in transitional and enabling activities.

<sup>6</sup> 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.



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

The Sub-Fund does not commit to making any sustainable investments. As a consequence, the sub-Fund does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

N/A

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

Other investments include the other strategies of the Sub-Fund such as Special Situations, Financial contracts, cash, or cash equivalents. As such, they do not follow any minimum environmental 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?**

No

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

- ***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.varennecapital.com/en/documents-esg>