LA FINANCIÈRE DE L'ÉCHIQUIER

TOCQUEVILLE

TOCQUEVILLE DIVIDENDE

Sustainability disclosures
Article 10 - SFDR

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I. Summary

Please find below all the information concerning how the UCI (or Financial Product) takes into consideration social or environmental factors, in accordance with the provisions of Commission Delegated Regulation 2022/1288 supplementing Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (hereinafter, the “SFDR”).

The objective of the fund, within the framework of a dynamic equity allocation decided by the management company, is to seek to benefit from the development of European countries by investing in listed equities on the European financial markets that distribute a dividend that is significant, regular and sustainable, with the potential to grow, while seeking to limit the risks of significant portfolio variation and while meeting socially responsible investment criteria (according to the management company’s analysis).

This product is classified as article 8 under the SFDR. This means that it promotes environmental or social characteristics, but does not have as its objective a sustainable investment.

This financial product integrates an extra-financial approach without this being a determining factor in investment decisions.

As part of its strategy, the main extra-financial characteristics of the product are as follows:

- a minimum proportion of 10% is allocated to investments “aligned with environmental and social characteristics”
- a minimum proportion of 10% of investments are sustainable investments within the meaning of the SFDR.

Please find below additional information on the environmental or social characteristics promoted, the investment strategy implemented by the Financial Product and the breakdown of investments made to implement this strategy.

The methods and tools used by our managers to achieve this objective, as well as the controls put in place, are also presented. We have put in place a monitoring tool dedicated to environmental and social characteristics, to monitor the achievement of each of the environmental and social characteristics promoted by the financial product using relevant indicators.

With this in mind, our teams use internal analyses and numerous external data sources selected from the available offer for their quality and relevance.

The selection of securities in the portfolio is supplemented by a shareholder engagement approach with companies. Our objectives, principles, methods of action, priorities and expectations in terms of engagement are formalised and followed up in dedicated reports.

We therefore invite you to read, on our website, the SFDR appendix attached to the prospectus of your Financial Product, as well as our 29 LEC report.

II. No sustainable investment objective

This Financial Product promotes environmental or social characteristics, but does not have as its objective a sustainable investment. This product is classified as article 8 under the SFDR.

However, the Financial Product intends to invest a share of its net assets in sustainable investments.

To ensure that the sustainable investments of the financial product do not cause significant harm (DNSH) to any environmental or social objective, La Financière de l'Echiquier has defined a "DNSH" procedure for products with a sustainable investment objective.

For more information on the sustainable investment methodology and how the Management Company ensures that the sustainable investments in question do not cause significant harm to any of the sustainable investment objectives, we invite you to read the SFDR – SUSTAINABLE INVESTMENT DEFINITION document available on the LFDE website ("Responsible Investment/To find out more" page): https://cdn.lfde.com/upload/partner/sustainable-investment-methodology.pdf

III. Environmental or social characteristics of the financial product

The environmental and social characteristics of the Financial Product are described in the section of the SFDR annex of the prospectus under the heading: "What environmental and/or social characteristics are promoted by this Financial Product?" This section details how environmental and social characteristics are taken into account at each stage of the investment.

IV. Investment strategy

The objective of the fund, within the framework of a dynamic equity allocation decided by the management company, is to seek to benefit from the development of European countries by investing in listed equities on the European financial markets that distribute a dividend that is significant, regular and sustainable, with the potential to grow, while seeking to limit the risks of significant portfolio variation and while meeting socially responsible investment criteria (according to the management company's analysis).

This financial product integrates an extra-financial approach without this being a determining factor in investment decisions.

Thus, the investment strategy used to meet the environmental or social characteristics is presented in the section of the SFDR annex of the prospectus under the heading: "What investment strategy does this financial product follow?"

The analysis of corporate governance practices is one of the pillars of the ESG analysis methodology described in the section "What environmental and/or social characteristics are promoted by this financial product?" of the SFDR annex of the prospectus. In particular, this covers checks and balances, fair remuneration and business ethics. Companies are thus systematically rated on their governance practices, and those with unsatisfactory practices are penalised in the selection of securities for investment by the financial product.

In addition, the Management Company encourages good governance practices through its engagement and voting policy, which deals in particular with the issues of balanced remuneration, value sharing between senior managers and employees, and diversity and parity within management bodies.

V. Proportion of investments

The asset allocation for this product is detailed in the section "What is the asset allocation planned for this financial product?" of the SFDR annex of the prospectus. It highlights the following characteristics:

- the minimum proportion of the investments "Aligned with Environmental & Social characteristics" is 10%.
- the minimum proportion of sustainable investments within the meaning of the SFDR is 10%.

Regarding the proportion of sustainable investments, to date, the methodology for calculating sustainable investments cannot precisely identify sustainable investments that meet only one of the objectives. Thus,

- The minimum share of sustainable investments with an environmental objective aligned with the European Taxonomy is 0%
- The minimum share of investments in transitional and enabling activities is 0%
- The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is >0%
- The minimum share of sustainable investments with a social objective is >0%.

Any derivatives authorised/used by the financial product are not intended to contribute to achieving the environmental or social characteristics promoted. Their use is limited to hedging or temporary exposure in order to cover a strong movement in liabilities, to gain temporary exposure to market beta or to accompany a change in strategy. Furthermore, the Management Company ensures that the use of derivatives does not run counter to the environmental or social characteristics promoted by the financial product. In particular, the Management Company does not use derivatives to artificially improve the product's extra-financial performance.

VI. Monitoring the environmental or social characteristics

In order to ensure that the Financial Product complies with the extra-financial constraints set out in the prospectus, and therefore to confirm the attainment of the environmental and social characteristics, the Management Company's group has put in place a monitoring tool dedicated to the environmental and social characteristics promoted by the Financial Product.

This tool allows the managers to model and monitor the constraints associated with the characteristics of the Financial Product, and in particular the indicators defined in the section "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this Financial Product?" of the SFDR annex of the prospectus.

This system is supplemented by a tool dedicated to the centralisation and monitoring of extra-financial data and generating specific reports.

Extra-financial constraints are also monitored pre-trade and post-trade by the Risk Department.

Lastly, compliance with the management process for extra-financial characteristics is integrated into the biannual monitoring plan carried out by the Compliance and Internal Control Team.

Methods
The methods used to determine the extent to which the social or environmental characteristics promoted by the Financial Product are attained are mainly quantitative methods. For each environmental or social characteristic, the Management Company has put in place a quantitative indicator with an associated objective. The attainment of the objectives set for each indicator is continuously monitored using management tools. The indicators and associated objectives are specified in the SFDR – SUSTAINABLE INVESTMENT DEFINITION document available on the LFDE website ("Responsible Investment/To find out more" page): https://cdn.lfde.com/upload/partner/sustainable-investment-methodology.pdf.

In addition to this quantitative methodology, the management company may also rely on a qualitative assessment of the extra-financial policy of issuers based on the documentary analysis of data published by issuers and on ESG interviews conducted with companies.

VII. Data sources and processing

1. Sources of data used to attain each of the environmental or social characteristics promoted by the Financial Product:
The Management Company applies a multi-source approach to ensure better coverage and diversity of analysis perspectives. The providers selected are mainly the following: Bloomberg, CDC Biodiversité, CDP, Ethifinance, ISS ESG, LSEG, Moody's ESG and MSCI.

In addition, the management company obtains information from reading the company's public documentation (annual reports, sustainable development reports, etc.), from on-site visits and meetings with various managers (CEO, CFO, HR Director, Quality Director, Environment Director, Legal Officer, etc.).

2. Measures taken to ensure data quality:
Qualitative and quantitative due diligence is systematically carried out when a new provider is added.
This due diligence is supplemented by statistical studies conducted periodically in order to identify inconsistencies between the indicators of different suppliers relating to the same subject. These analyses may lead in particular to the disqualification of an indicator deemed irrelevant, or to the correction of biases arising from methodological differences.

3. Data processing procedures:
The data from providers is integrated into a data processing tool developed by the Management Company's group. This tool is used to gather and aggregate data in order to provide a single set of data used to manage the environmental or social characteristics of the Financial Product.

4. Proportion of data that is estimated:
It is not currently possible to accurately assess the proportion of estimated data. In principle, the latter is fairly substantial due to the broad spectrum of themes covered by the extra-financial analysis and insofar as a non-negligible share of the data transmitted by providers is based on qualitative analyses or proxies and the data processing tool developed by the Management Company's group statistically processes the integrated data.

The proportion of data measured will increase with the gradual entry into force of European regulations relating to the publication by issuers of extra-financial data.

VIII. Limitations to methods and data

The diversity of the investments made does not allow full coverage of the environmental and social characteristics of all the securities in the portfolios, especially since some markets are themselves not covered by the data providers, which does not allow for an exhaustive consideration of the contribution of each security in the portfolio to the sustainability indicators monitored to measure the attainment of the environmental and social objectives. This is particularly the case for small caps, non-European issuers that are not subject to the same regulatory transparency constraints.

The “multi-source” approach to diversifying data providers meets some of these challenges.

The amount of data handled does not allow quality control on a case-by-case basis. Two approaches are favoured: (i) control of the scoring methodology applied by the data providers and (ii) statistical control of the data as a whole. Furthermore, the “multi-source” approach applied tends to smooth out potential errors in the individual assessment of data providers.
In addition, the lack of data on certain indicators used to verify that the environmental or social characteristics promoted are achieved is offset by the use of other indicators for similar themes as well as by monitoring controversies affecting the issuer in question.

IX. Due diligence

Using external data (rating agencies, analysis offices, NGOs, think tanks, etc.), our SRI specialists assess the relative importance of environmental and social themes for each sector in order to define a relevant weighting of the various scores. The aggregation and restatement of ESG ratings used to identify companies with best practices is done in accordance with procedures that specifically address the various geographical regions and company sizes.

Following and in parallel with the quantitative analysis, analysts and managers may conduct a qualitative analysis of issuers, based on recognised internal and external research sources and their detailed knowledge of issuers. They can use the opinions of business stakeholders (NGOs, trade unions, international institutions, media, etc.) and data from meetings with the companies. When used, the purpose of this analysis would be, in particular, to correct biases or possible errors from data providers.

X. Engagement policies

The selection of securities in the portfolio may be supplemented by a shareholder engagement approach with companies. Our objectives, principles, methods of action, priorities and expectations are set out in our engagement and voting policies and reports, available on our website www.lfde.com. These documents structuring our actions are drawn up and updated every year, after an activity review, on the proposal of the SRI team in conjunction with all the other contributors and stakeholders to these processes: managers, analysts, lawyers, sales and compliance functions. They are validated by general management and the entire management chain.

The dialogue we engage in with companies, in particular through meetings, has a twofold objective:

- Better understand company policies and practices in order to strengthen the financial and extra-financial analyses conducted by our teams;
- Encourage better management of extra-financial issues and the development of responsible practices.

This dialogue is conducted in two main ways:

- Bilateral dialogue with the management of the investee companies, particularly at meetings with the issuers;
- Collaborative engagement, conducted with other investors on a shared issue. We support these joint initiatives when they are part of our engagement policy and can usefully complement the approach initiated bilaterally, by pooling research elements, providing companies with consistent signals about the expectations of responsible investors, and in order to exert more significant influence on companies.

The management company may also undertake targeted dialogue actions following controversies on priority themes for the management company. When the dialogue does not bear fruit and the changes expected from companies are not met, the management company may use additional tools, in a gradual way:

- Sending letters, as written format often has more impact than an oral exchange,
- Downgrading of the SRI rating,
- Opposition to important resolutions at the General Meeting, such as the approval of the financial statements or the election of the Chairman of the Board,
- Filing of a resolution at a general meeting,
- Putting the company under watch, corresponding to a prohibition on making further investments,
- Divestment, when the engagement fails: lack of satisfactory corrective actions, little openness to dialogue, etc.

XI. Designated benchmark

The Financial Product does not aim to replicate the environmental and/or social characteristics of an index.