

ESG Annex

Twenty First Funds – France Engagement

Template 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

Product name: Twenty First Funds – France Engagement

Legal entity identifier: 549300V3C91S10XGAW17

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 lay down 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?



Yes



No



It will make a minimum of **sustainable investments with an environmental objective**: ____%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It will make a minimum of **sustainable investments with a social objective**: ____%



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



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promotes E/S characteristics, but **will not make any sustainable investments**



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

The environmental and social (E/S) characteristics promoted by the compartment consist of primarily investing in companies with superior ESG profiles based on a best-in-class approach while excluding companies involved in certain controversial activities as further described below.

No reference benchmark has been designated for the purpose of attaining the E/S characteristics promoted by the financial product.

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?***

In order to measure the attainment of the above ESG characteristics, LBO France will monitor the following indicators:

- Percentage of issuers covered by an ESG rating methodology (90% minimum)
- Average portfolio ESG rating and issuer-level ESG rating
- The share of investments involved in the excluded activities described below
- The share of the investment universe excluded due to the application of the fund's exclusion criteria

● ***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?***

Not applicable.

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.

● ***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?***

Not applicable as this financial product will not contemplate sustainable investments.

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

Not applicable.

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

Not applicable.

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

☒ 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.

All investments made by this compartment will comply with the following exclusion list:

- Exposure to thermal coal;
- Production and distribution of fossil fuels;
- Production and distribution of Tobacco products;
- Production of controversial weapons in accordance with international conventions;
- Pornography and adult entertainment.

For equity assets, the investment strategy is as follows:

The first step of the strategy starts with applying an ESG analysis to the investment universe in order to rank its issuers. Rating methodologies use third party ESG provider and proprietary methodology if unavailable. Any issuer of the universe will also be rated relying on the Gaïa Rating (EthiFinance) database. In case of an issuer not covered by Gaïa Rating, the Investment Manager will produce a proprietary rating whose methodology may differ from EthiFinance. The rating methodology of LBO France is built from issuer disclosures (Universal Registration Document) and if necessary from enquiries sent to the issuer. The rating is computed on three pillars: Environment, Social and Governance.

The subsequent steps are part of the standard investment process. In particular, the third step of the strategy will combine financial and extra-financial approach. The implementation of such last step requires managements and boards to be open-minded and willing to engage in a constructive dialogue to create long term value. Engagement means working in a constructive manner to realize value-enhancement potential in operations, corporate strategy/organizational structure, financial management and corporate governance.

The ESG criteria are applied on an ongoing basis on the same process for investment and divestment validated by the weekly Investment Committee.

For bonds assets, the investment strategy is as follows:

An ESG analysis is applied to the considered bond issuers (listed companies on the Paris stock exchange). Only issuers with an ESG rating (provided by Gaia/Ethifinance) higher than the lowest rating of the best 80% rated in the investment universe (listed companies on the Paris stock exchange) will be included.

- ***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 are the following:

- Enforcement of the above exclusion list;
- An ESG analysis rate of 90% of issuers (by number);
- The ESG analysis will exclude 20% of issuers with the worst rating from the investment universe

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

The minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy is 20%.

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

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

The ESG ratings that will be taken into consideration integrate best-in-class approach with regard to governance practices - thus guaranteeing the good governance of the companies forming part of the portfolio.

Asset allocation describes the share of investments in specific assets.

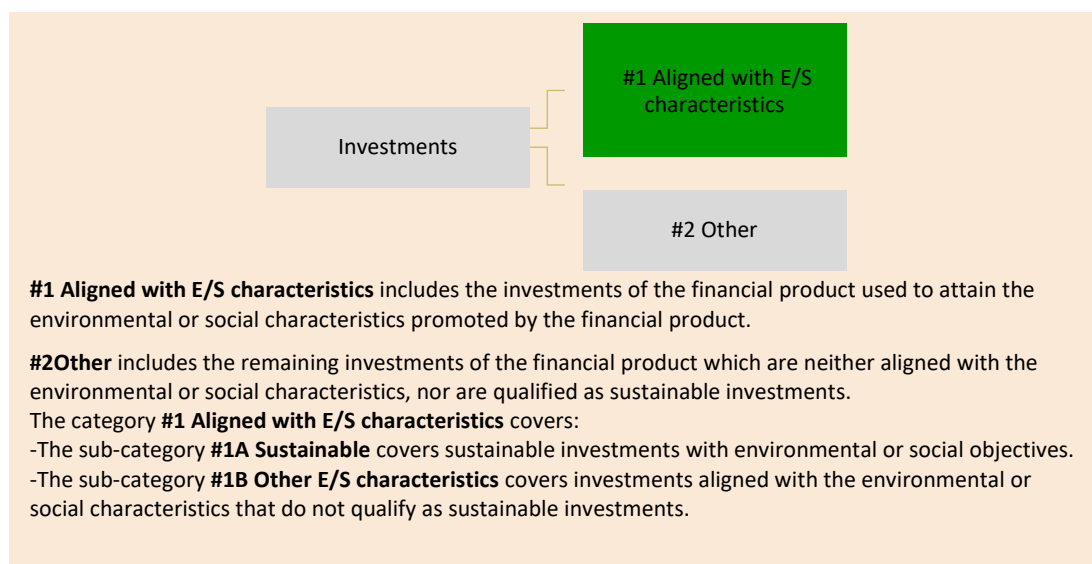


What is the asset allocation planned for this financial product?

A minimum of 90% of the compartment will be invested in issuers aligned with the E/S characteristics promoted (#1). The remaining (<10%) such as UCITS funds will not be aligned with the E/S characteristics promoted (#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?

Not applicable.



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

The compartment promotes environmental and social characteristics, but does not commit to making any sustainable investments, accordingly the minimum share of Taxonomy-aligned investments is 0%.

Enabling activities

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

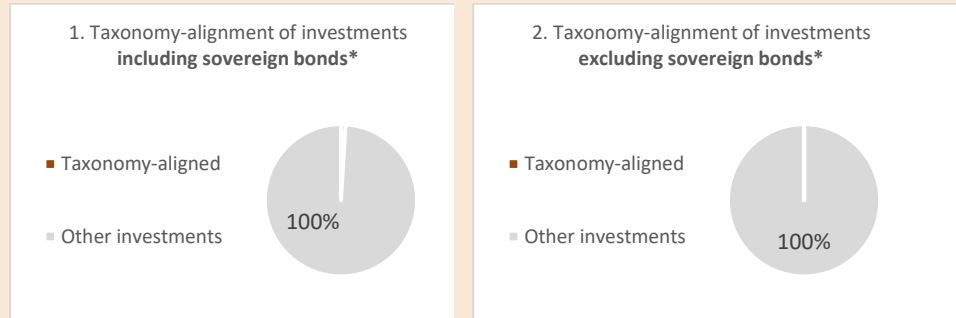
Transitional activities are

activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

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 compartment does not commit to making any sustainable investments, including in transitional and enabling activities, accordingly the minimum share of Taxonomy-aligned investments is 0%.



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

The compartment does not commit to a minimum share of sustainable investments.



What is the minimum share of socially sustainable investments?

Not applicable.



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

Investments in the “Other” category are monetary instruments used for treasury purposes. They are mostly composed of fixed income securities from government and corporate issuers in the eurozone area and money market funds managed by EU AIFMs.

As such, they apply minimum environmental and social safeguards consistent with the environmental, social, and governance standards of countries in the eurozone area.

For monetary funds, LBO France will review the ESG commitments and environmental and social safeguards enforced by corresponding EU AIFMs.

The unscreened investments (maximum 10%) fall under the scope of #2 Other.



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?
[include section where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product and indicate where the methodology used for the calculation of the designated index can be found]

This compartment refers to a market benchmark without ESG characteristics.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



Where can I find more product specific information online?

More product-specific information can be found on the website:
<https://www.lbofrance.com/france-engagement/>