

APPENDIX II

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*Pre-contractual information model for financial products covered by article 8, paragraphs 1, 2 and 2b, of (EU) regulation 2019/2088 and article 6, first subparagraph, of (EU) regulation 2020/852*

Name of the product:

**SEXTANT PME**

**a sub-fund of SEXTANT SICAV**

Identity of the legal entity: **AMIRAL GESTION**

## Environmental and/or social issues

**Sustainable investment** implies an investment in an economic activity that contributes to an environmental or social objective, provided it does not have any major adverse impact on such objectives, and the company benefiting from the investment implements good governance practices.

**EU taxonomy** is a system of classification arising from (EU) regulation 2020/852, which drew up a **list of environmentally-sustainable economic activities**. This regulation does not provide a list of socially-sustainable economic activities. Sustainable investments that have an environmental objective are not necessarily aligned with the taxonomy.

**Sustainability indicators** assess the success of the product in promoting the environmental and social issues in question.

**Does this financial product have a sustainable investment objective?** *[tick and fill in as relevant, the percentage figure represents the minimum engagement to sustainable investments]*



**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 30% 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**

### Which environmental and/or social issues does this financial product support?

SEXTANT PME, a Sub-fund of SEXTANT SICAV, pursues a double objective:

<sup>1</sup> Publication date of the document: 2 January 2023

- Financial: the Sub-fund aims to outperform its benchmark (MSCI EMU (European Economic and Monetary Union) Micro Cap Net Return EUR), via a selection of European small- and mid-cap securities;
- Non-financial: invest in companies that stand out for their good ESG practices, on a best-in-class approach, but also to provide support to those with good potential for improvement, notably in terms of environmental impact, on a best-in-class approach based on shareholder engagement.

The non-financial metrics used by the Sub-fund are not measured against any specific sustainable benchmark. The investment team monitors ESG characteristics and performances of the Sub-fund relative to a universe that is coherent with the investment strategy of the Sub-fund, and comprising around 1,220 French and European small- and mid-cap companies covered by the ESG research of our non-financial ratings partner Ethifinance, without taking into consideration ESG performances.

- ***Which sustainability indicators are used to measure success in supporting the environmental or social issues promoted by the financial product?***

In order to meet its non-financial objective, the Sub-fund has committed to the following points:

- An average ESG rating for the Sub-fund that is higher than the average ESG rating of the companies that make up the investment universe and are covered by our non-financial rating agency partner Ethifinance (i.e. roughly 1,220 French and European companies)
- SRI management rules leading to SRI selectivity of at least 20% i.e. at least a 20% reduction to the initial investment universe due to a minimum ESG rating and a normative, sectoral and controversy-related exclusions policy.
- An engagement to best performance by the portfolio versus its universe on two indicators of environment quality and rights of man:
  - Governance / business conduct: a formal policy document concerning conduct of business and the fight against corruption
  - Environment / climate change: carbon intensity
- An objective to improve the performance of the portfolio relative to its universe on two indicators of social progress and in favour of human rights:
  - Social / Promotion of gender equality: average number of woman on executive committees
  - Human rights: Publication of a policy in favour of human rights
- Non-financial analysis and ratings covering at least 90% of equity investments (this rate may refer to the share of net assets or the number of companies in the portfolio)
- A review of controversies for 100% of companies in the portfolio
- An internal policy of systematically exercising voting rights for all companies in the portfolio
- A report on the Sub-fund's voting published within the regulatory deadlines
- Publication of reports concerning our traceable ESG dialogue with the companies in the portfolio, with emphasis on:
  - Awareness of ESG best practices, regular discussions on ESG questions with identification of potential factors of value creation and/or risks (notably in terms of their impact on global warming);
  - Close attention to / surveillance of issuers whose transparency with respect to ESG practices is considered unsatisfactory on the basis of our analysis criteria, with the possibility of divestment in certain cases.
- Publication of a complete annual report on climate and environmental footprint in accordance with the requirements of the TCFD and including aligned green share data within the framework of EU Taxonomy.

Implementation of these objectives is reflected in our analysis techniques involving the mobilisation of internal and external resources, the use of structured analysis and ESG ratings, monitoring of multi-factor ESG performances (resulting from ratings and targeted impact indicators) for each issuer in the overall portfolio that influence our dialogue-engagement initiatives with companies to encourage progress, as well as to assist with construction of the portfolio.

- ***Which sustainable investment goals does the financial product have, and how can sustainable investment contribute to these objectives?***

The SEXTANT PME Sub-fund promotes environmental and social issues. Although it does not have an investment strategy that is focused on a sustainable investment objective as defined by SFDR, the Sub-fund has committed to investing at least 30% of its net assets in sustainable investments.

Amiral Gestion defines a sustainable investment as the acquisition of a financial instrument that is involved in one or several of the following economic activities:

- Contributing significantly to mitigation of climate change with the goal of reaching carbon neutrality by 2050, in accordance with the Paris Agreement on Climate;
- Making a net positive contribution to one or several of the United Nations Sustainable Development Goals (SDG) at the social level by 2030;

provided these investments do not have any major adverse impact on other environmental or social objectives, and the companies in which the investments are made respect the principles of good governance.

#### Criteria for qualification as a sustainable investment<sup>2</sup>

The indicators that assess the real contribution of companies in the portfolio to the objective of mitigating climate change are:

1) Temperature alignment: < or = 2°C <sup>3</sup>
or
2) Taxonomy alignment – minimal green share > or = 10 % of revenues <sup>4</sup>
or
3) Companies that have accepted SBTi ("Target set") or have made a public commitment ("Committed") to the process, or supplied a letter of intent to join the SBT initiative within 12 months following a traceable engagement action by the Asset Management Company <sup>5</sup> .
or
4) Companies that derive at least 25% of revenues from enabling <sup>6</sup> or transitory <sup>7</sup> activities that contribute to an objective that is environmental, but not yet identified in the taxonomy due to their innovative nature or very specific usefulness <sup>8</sup>

<sup>2</sup> Source: Amiral Gestion's Methodological Note on sustainable investment

<sup>3</sup> Source: Iceberg Data Lab and - when not available - S&P Trucost

<sup>4</sup> Source: Sustainalytics, prioritising data supplied by companies, otherwise estimated data

<sup>5</sup> Source: SBT \_ <https://sciencebasedtargets.org/reports/sbti-progress-report-2021/progress-data-dashboard#datadashboard>; Amiral Gestion

<sup>6</sup> « Enabling » activities allow other activities to contribute to an environmental objective

<sup>7</sup> "Transitory" activities allow a reduction in the environmental impact in sectors where there is no alternative

<sup>8</sup> Source: Amiral Gestion. Companies whose securities qualify as a sustainable investment under this criteria will be documented by the fund manager and approval will be requested from the IR/RSE team or the IR/RSE committee.

**Criteria for qualification as a sustainable investment on the basis of net positive contribution to the social SDGs<sup>9</sup> presented below.**

Of the 17 Sustainable Development Goals, **seven SDGs with social objectives** are selected to measure the net positive contribution:

- **SDG 1: No poverty**  
*Eradicate poverty in all its forms*
- **SDG 2: Zero hunger**  
*Put an end to global hunger, attain food security, improve nutrition, promote sustainable agriculture*
- **SDG 3: Health and well-being**  
*Allow people to live in good health and promote well-being for all age groups*
- **SDG 4: Quality education**  
*Access to good, inclusive education; apprenticeship opportunities for all throughout the working life*
- **SDG 5: Equality of sexes**  
*Achieve gender equality and promote autonomy of women and girls*
- **SDG 8: Decent working conditions and economic growth**  
*Promote sustainable, inclusive economic growth, full productive employment, and a good job for all*
- **SDG 10: Reduce inequalities**  
*Reduce inequalities between and within countries*

On the basis of SDGs 1, 2, 3, 4, 5, 8, 10, for a company to qualify as a sustainable investment under the Asset Management Company's definition, it must obtain:

----> **a Net Alignment score = or > 2 for one or several SDGs**

+

----> **A positive DNSH<sup>10</sup> SDG filter:**

**The company must have a neutral score (i.e. = or > -1) on the Product Alignment and Operational Alignment criteria for all social SDGs**

This research assesses alignment of companies in the portfolios of our Sub-funds with social SDGs by:

- identifying companies supplying potential solutions to the challenges mentioned above, thanks to products and services that generate revenues related to these objectives and by estimating the percentage of underlying revenues (« Product alignment score »).
- analysing the ways in which companies contribute to SDGs through their business activities by improving operational practices, drawing up long-term strategies and being transparent about their progress (« Operational alignment score »).

To determine their net alignment contributions, the methodology includes a measure of the positive contribution, but also another key component of DNSH by identifying as the adverse impacts cases of non-alignment by the company due to major ESG controversies, key metrics related to the SDG in question, or exposure to controversial activities. The net alignment score is the average of the Product Alignment and the Operational Alignment scores. DNSH of social SDGs is included in each of the scores.

Scores range from -10 (« strongly misaligned ») to +10 (« strongly aligned ») on the basis of two assessment levels: Product Alignment, which is balance between positive contribution / adverse impacts of goods and services, and Operational Alignment, which is the balance between positive contribution / adverse impacts on social SDGs in business and operations.

The net alignment score is the average of the Product Alignment and Operational Alignment scores.

<sup>9</sup> Source: MSCI ESG - Sustainable Impact Metrics Research

<sup>10</sup> The DNSH (« Do no significant harm ») filter comprises criteria that show the asset does not cause significant harm to social SDGs other than the one to which it is making a positive contribution.

The principal adverse impacts are the negative consequences arising from investment decisions for sustainability factors related to environmental and social issues, human resources, respect for human rights, the fight against corruption and acts of corruption.

- **To what extent do the financial product's sustainable investments have a significant adverse impact on an objective of environmental or social sustainable investment?**

Sustainable investments are selected by the Asset Management Company on the basis of positive contribution criteria, while ensuring that these investments do not adversely impact **environmental and social objectives**. 16 indicators are used to assess the Principal Adverse Impacts on sustainability factors, leading to qualification as a sustainable investment. Good governance practices are also a decisive factor.

Moreover, this Sub-fund implements a policy of exclusion / non-investment in companies that are exposed to serious or severe controversies (i.e. levels 4 and 5 on the Sustainalytics scale), where our internal analysis has confirmed this assessment.

This whole procedure for identifying sustainable investments has been summarised above, but also in the Methodological Note dedicated to our definition of sustainable investment and available on our website under the heading « Responsible investment ».

- **How are indicators concerning adverse impacts taken into consideration?**

The Sub-fund's non-financial objective is to invest in companies that distinguish themselves by their good ESG practices on a best-in-class approach, but also to provide support to those with potential for improvement on a best-in-class approach based on shareholder engagement.

The Sub-fund's investment policy has several steps that allow a demonstration of how adverse impacts are taken into consideration by a **DNSH SFDR for which the criteria (listed below) are applicable to all Sub-fund's classed SFDR 8 and SFDR 9, and notably relying on 16 indicators of Principle Adverse Impacts (PAIs)**.

#### **1) Respect for Amiral Gestion's sectoral policy for SFDR 8 and 9 funds**

i.e. non-involvement by companies in the portfolio in certain prohibited activities: controversial arms, unconventional fossil fuels, coal, tobacco, pornography  
(conditions and thresholds of our sectoral policy are available on the Amiral Gestion website)

and

#### **2) Respect for Amiral Gestion's normative policy**

i.e. compliance with the United Nations Global Compact and OECD Guidelines for Multinational Enterprises

and

#### **3) Exclusion of companies exposed to severe (level 5) ESG controversies\***

*\* or even serious (level 4) controversies, depending on the rules that apply to the fund*

and

#### **4) Awareness of PAIs**

Monitoring of the fund's performance on the basis of 16 ESG indicators\*

*\* Dialogue-engagement may be initiated with company management if some indicators underperform seriously*

and

#### **5) Assessment of good governance practices**

Monitoring of the fund's performance on the basis of its governance rating\*

*\* Dialogue-engagement may be initiated with a company whose governance appears weak*

Furthermore, these DNSH (« Do No Significant Harm ») SFDR are underpinned by:

- Eligibility criteria associated with indicators of substantial contribution to the environmental objective of mitigating climate change, presented in Appendix 3 to the Methodological Note on our definition of a sustainable investment;
- Eligibility criteria associated with indicators of net positive contribution to the social objective of social SDGs.

As mentioned above, to determine contributions to net alignment, the methodology includes assessing positive contribution, but also another key component of DNSH by identifying, among the adverse impacts, cases of non-alignment by a company due to major ESG controversies, key metrics related to the SDG in question, or exposure to controversial activities. The net alignment score corresponds to the average of the Product Alignment and Operational Alignment scores. DNSH of social SDG criteria is included in each of these scores.

- ***To what extent do sustainable investments comply with OECD Guidelines for Multinational Enterprises and United Nations Principles on Business and Human Rights?***

To ensure that the Sub-fund's investments, including those which are considered sustainable, comply with the principles of the UN Global Compact and OECD Guidelines for Multinational Enterprises, Amiral Gestion's normative exclusion policies are implemented ex-ante and ex-post on the basis of Sustainalytics research, whose conclusions may be confirmed or adjusted following an internal analysis by the fund manager and approved by Amiral Gestion's Committee for Surveillance of Controversies. If a company in the portfolio is added to the Sustainalytics Watchlist, it is put on surveillance.

In addition, ESG and investment teams are particularly vigilant when assessing and monitoring the quality of company ESG profiles, especially their exposure to events, controversies or other risk factors related to the following issues:

- Human rights (notably forced and child labour)
- Controversies related to climate change
- Fiscal responsibility and transparency

The normative exclusion policy contained in DNSH SFDR applies to sub-funds classed SFDR 8 and 9, as mentioned above.

*EU taxonomy contains a principle of « Do not significant harm » according to which investments aligned with the taxonomy should not seriously damage EU taxonomy objectives, in addition to the EU's own criteria.*

*The « Do not significant harm » principle only applies to the investments underlying the financial product which take account of EU criteria concerning environmental sustainability of investments. The investments underlying the remaining share of this financial product do not take account of EU criteria concerning environmental sustainability of economic activities. All other sustainable investments should not do significant harm to environmental or social objectives.*

## Does the financial product take into consideration the Principle Adverse Impacts on sustainability factors?

**YES, since 31 December 2022 the SEXTANT PME Sub-fund takes account of Principle Adverse Impacts (« SFDR PAIs ») on sustainability factors**

Within this framework, the Sub-fund has committed to monitoring ESG performance on the basis of the 16 SFDR PAIs listed below and taken from Appendix 1 of SFDR regulatory technical standards (RTS). When a company's indicators are underperforming the Sub-fund's benchmark universe, a dialogue-engagement may be judged appropriate to facilitate continuous improvements to the performance of the portfolio and to mitigate the adverse impacts of underlying investment on sustainability factors.

The information related to accounting for PAIs will be reproduced in the Sub-fund's annual report and will adopt the reporting format for PAIs as used by Appendix 1 of SFDR RTS. This appendix will be included for the first time in the 2023 publication, which will appear in first-half 2024.

### SFDR PAIs monitored

Nature of PAI	Reference	Name	Data source	Supplier	Status (proxy, target)	Calculation method
Environment	PAI 1	GHG emissions	MSCI (default: Ethifinance)	MSCI Rating / Ethifinance R.	Target model	The calculation is on each scope and the sum of emission scopes. It is weighted average of emissions X Each investment in PF / EV
Environment	PAI 2	Carbon footprint	MSCI (default: Ethifinance)	MSCI Rating / Ethifinance R.	Target model	Same as previous except calculation is weighted average of emissions X Each investment in PF / EV. Result is normalised by total value of PF
Environment	PAI 3	Carbon intensity	MSCI (default: Ethifinance)	MSCI Rating / Ethifinance R.	Target model	Same as previous except calculation is weighted avg of emissions by annual sales of Co X Each investment in PF / Total Invested by PF (See Appendix RTS)
Environment	PAI 4	Expo. to fossil energy Cos	MSCI	Climate Change Metrics	Target model	Share of investments in Companies that generate sales in the fossil energy value chain
Environment	PAI 5	Share of renew. energy prod. & consumption	MSCI	Climate Change Metrics	Target model	Share of investments in PF that consume or produce non-renewable energy
Environment	PAI 6	Energy consumption	MSCI (default: Ethifinance)	MSCI Rating / Ethifinance R.	Target model	For Companies in sectors that emit most GHG, the sum of energy consumption intensity is calculated (normalisation by revenues)
Environment	PAI 7	Biodiversity	MSCI (default: Ethifinance)	MSCI Rating / Ethifinance R.	Proxy model	Undergoing tests
Environment	PAI 8	Emissions in water	MSCI (default: Ethifinance)	MSCI Rating / Ethifinance R.	Proxy model	Undergoing tests
Environment	PAI 9	Rate of hazardous waste	MSCI (default: Ethifinance)	GSS	Proxy model	Undergoing tests
Social / Co. / Governance	PAI 10	Violation of UN Compact / OECD guidelines	Sustainalytics	GSS	Target model	Share of investments in PF that are judged in violation of UN Compact / OECD guidelines
Social / Co. / Governance	PAI 11	No tools to monitor respect for UN GC / OECD guidelines	Sustainalytics	GSS	Proxy model	Undergoing tests
Social / Co. / Governance	PAI 12	Gender wage gap	MSCI (default: Ethifinance)	MSCI Rating / Ethifinance R.	Target model	Average gender wage gap for all companies in the PF
Social / Co. / Governance	PAI 13	Board diversity	MSCI (default: Ethifinance)	MSCI Rating / Ethifinance R.	Target model	Average ratio of female board members to male board members
Social / Co. / Governance	PAI 14	Exposure to controversial arms	MSCI	MSCI Rating / Ethifinance R.	Target model	Share of investments in Companies that generate sales in product, or distribution of controversial arms
Environment	PAI 15	Water usage & recycling	MSCI (default: Ethifinance)	MSCI Rating / Ethifinance R.	Proxy model	Undergoing tests
Social	PAI 16	No rights of man policy	MSCI (default: Ethifinance)	MSCI Rating / Ethifinance R.	Target model	Undergoing tests

## What is the investment strategy of this financial product?

Sextant PME invests in small- and mid-cap securities. Investment decisions then depend largely on the existence of a "safety margin" which is the difference between the value of the company as assessed by the fund managers and its market value (capitalisation). It is thus possible to talk of "value investing". Positions are acquired with a long-term view (over two years) and the portfolio is relatively concentrated. Assets that are not invested in equities due to the lack of a safety margin or a shortage of opportunities are invested in bonds, interest-rate or money market instruments.

Sextant PME invests at least 75% of net assets in PEA-eligible equities and securities with an outsized share in French equities (at least 30% of the fund's assets are invested in equity instruments issued by companies whose head office is located in France) and at least 50% in small and mid-sized EU-based companies of which a minimum of 10% in equity instruments, as defined above, of listed French mid-, small- and micro-cap companies. The fund is PEA/PME/ETI eligible. Exposure to non-EU markets is limited to 10% of net assets.

The Sub-fund may be managed in sub-portfolios. This management strategy is specific to Amiral Gestion. It allows each fund manager/analyst the right to choose investments freely, while benefiting from the collective strengths of the Asset Management Company. The Sub-fund's assets are divided into several sub-portfolios, each managed in a perfectly independent manner by one of the fund manager/analysts on the team. All investment cases are studied, criticised and debated collectively. Afterwards, everyone is free to invests (or not) according to their own convictions, or to switch to the ideas put forward by another fund manager. A co-ordinator ensures that all investments are coherent with the investment strategy.

This investment strategy takes fully into consideration the ESG criteria that are central to the underlying fundamental analysis. The Sub-fund strives to invest in companies that distinguish themselves by their good ESG practices on a best-in-class approach, but also to provide support to those with potential for improvement by means of active dialogue with them to guide them to progress on the key ESG issues of their sector (sources of adverse impacts, existing improvement levers). This approach is based on a double responsibility which drives the efforts of the investment team and sums up its philosophy with respect to responsible investing:

- The fiduciary responsibility of the investment team through the central role of ESG analysis play in identification and understanding of material risks facing the company and its sources of value creation,
- Their responsibility to society and to shareholders as investors.

Investment strategy guides investment decisions, taking into account factors such as investment objectives and risk tolerance

• ***What are the constraints of the investment strategy when selecting investments that respect all the environmental and social issues promoted by this financial product?***

The SEXTANT PME portfolio is constructed following application of DNSH SFDR criteria that are appropriate for the Sub-fund and some others that are specific to this Sub-fund, such as a minimum ESG rating i.e.:

- Compliance with the Sub-fund's policy of sectoral exclusions
- Respect for the policy of normative exclusions
- Ban on investment and exclusion of companies exposed to serious or severe (levels 4 and 5) controversies
- Ineligibility of the lowest ESG-rated securities: in order to ensure that the companies represented in the portfolio meet minimum standards, rating of the universe are screened by the investment team using their own method that is notably based on Ethifinance's Gaia Ratings database. At least 90% of companies in the portfolio are thus covered by ESG analysis; the remaining 10% is an attempt to reflect exceptional cases that cannot be covered immediately (small capitalisations for which little or no ESG information is available, IPOs etc). The minimum ESG rating for the Sextant PME SRI Sub-fund is 25/100.

The SRI approach adopted by Sextant PME is chiefly based on ESG Selectivity i.e. non-financial filters that lead to at least a 20% reduction in the initial investment universe of roughly 1,220 French and EU stocks from the small and medium capitalisations covered by data from the Gaia base supplied by our non-financial rating agency partner Ethifinance. This breakdown is coherent with the Sub-fund's investment strategy<sup>11</sup>

In accordance with the 'France Relance' and SRI labels that this Sub-fund has been awarded, Sextant PME has committed to being better rated than its investment universe. This quality engagement involves three aggregates described below: 1 - an approach by ESG ratings; 2 - an approach by indicator.

1. An aggregate ESG indicator within the overall ESG Performance Rating: this rating gives an average ESG rating for the portfolio on the E, S and G criteria in Amiral Gestion's analysis matrix.
2. Performance of the portfolio on two indicators of environmental and governance issues:
  - A formal, written policy on business conduct and the fight against corruption (expressed in share of companies in the portfolio and universe that have formalised such a policy);

<sup>11</sup> The detailed methodology for definition of the universe and ESG performance calculations relative to the universe are contained in this SRI Transparency Code and available on the Amiral Gestion website.

- Carbon intensity (WACI measure)<sup>12</sup>: Weighted average of carbon intensity ratios by revenues (sum of weights \* intensity ratio for each security) , on Scope 1, Scope 2 and Scope 3 upstream.

Two other social indicators in favour of human rights are monitored in order to improve performance of the portfolio relative to its investment universe: Sextant PME has thus committed to target companies in the portfolio for their performance on these indicators and/or via their engagement actions to help them to progress and to reduce the gap relative to the universe if the portfolio underperforms and/or to increase its lead within three years. The two indicators are:

- Promotion of gender equality: average number of women on executive committees
  - Human rights: publication of a policy in favour of human rights
- What is the minimum rate to reduce the scope of planned investments before implementation of this investment strategy?**

The results of ESG research (minimum ESG rating, sectoral and normative exclusions and exclusions for level 4 and 5 controversies) act as the filter for the Sub-fund's ESG selection procedure. Application of this filters results in **an exclusion rate of at least 20% for the investment universe.**

#### Summary investment procedure

Initial universe	Eligible universe	Fundamental analysis and shareholder engagement	Valuation	SRI portfolio
Roughly 350 French securities	<p>Exclusion of securities with ESG performance rating &lt; required threshold</p> <p>Sectoral exclusions</p> <p>Normative exclusions</p> <p>Exclusion of companies exposed to serious or severe controversies (levels 4 and 5)</p> <p>- A minimum 20% reduction in universe</p>	<p>Internal, multi-criteria Quality Rating (28): business model, quality of management, solidity of financial structure, ESG criteria</p> <p>Constructive dialogue with companies about their ESG practices</p>	<p>Models includes past accounts, valuation ratios and discounted cash flows (DCF)</p> <p>- Investment decision based on target intrinsic valuation and internal Quality rating which includes ESG criteria</p>	<p>ESG quality control</p> <ul style="list-style-type: none"> <li>ESG rating of portfolio &gt; universe</li> <li>Two ESG impact indicators &gt; universe</li> </ul>

**Good governance practices** for sound management structures, good relations with – and remuneration of – employees and respect for tax commitments

- How does the Sub-fund assess governance practices at the companies in which it has invested?**

The Sub-fund's managers assess governance at two levels:

- The internal quality rating arising from our fundamental analysis: ex-ante qualitative assessment in our fundamental analysis considers 10 out 28 that are environmental, social or governance in nature. The governance criteria assessed for this rating are quality of the management, respect for minority shareholders, transparency and quality of financial communication, responsible remuneration of management and employees. These criteria have recently been strengthened thanks to three new items: assessment of the structure of governance, fiscal transparency and business ethics.
- An ESG Performance Score that take account for four aspects of governance, which themselves comprise 25 indicators:

<sup>12</sup> Source d'analyse : base de données S&P - Trucost

1. Integrity of governing bodies, quality of communication and transparency (*Source: internal qualitative assessment of Amiral Gestion's fundamental analysis*<sup>13</sup>)
2. Best governance practices (*Source: Ethifinance's Gaia Ratings database*)
3. Business ethics (*Source: Ethifinance's Gaia Ratings database*)
4. Gender equality (*Source: Ethifinance's Gaia Ratings database*)

All of these criteria allow us to assess and to factor into our analysis the dimensions necessary for sound management structures, good relations with – and fair remuneration of – employees and respect for fiscal commitments.

In addition, as the Sub-fund imposes a minimum ESG rating for acceptance into the portfolio eligibility, we try to ensure that the company has good governance practices. This entails keeping a watchful eye on their governance ratings. The fund manager may initiate a dialogue–engagement with companies whose governance practices are weak, in accordance with the criteria of DNSH SFDR mentioned previously.

Lastly, the Sub-fund cannot invest in companies that are exposed to serious or severe controversies, notably concerning governance. Moreover, we are particularly vigilant with respect to controversies related to the responsibility to be fiscally transparent whatever the level of gravity, and any such controversies may prompt us to initiate a dialogue–engagement.

### **What asset allocation for this financial product?**

The net assets of the SEXTANT PME Sub-fund have at least 75% exposure to PEA-eligible securities of the EU and EEA, with an outsized share of (at least 30% of the fund's assets are in equity instruments issued by companies whose head office is located in France) and at least 50% in small and mid-sized EU-based companies of which a minimum of 10% in equity instruments of listed French mid-, small- and micro-cap companies.

Non-financial analysis and ratings cover 100% of equity investments, with minimum coverage rate of 90% required for the portfolio.

The Sub-fund may also invest in:

- Credit notes and money market instruments (cash, negotiable credit notes, bonds, convertible bonds, high yield bonds), up to 25% of net assets
- In the shares of other non-French UCITS, AIFs or investment funds, up to 10% of net assets
- Derivatives to gain exposure to – or partially hedge against – favourable or unfavourable swings in equities, indices, interest rates and forex
- Securities with derivatives attached (preferential subscription rights, warrants, EMTNs).

The Sub-fund may also hold cash and deposits or borrow funds in order to manage its liquidity positions and meet liabilities (subscriptions and redemptions).

In order to calculate the share of sustainable investments, the numerator comprises exclusively equity investments and bonds. The denominator is based on the net assets.

In order to calculate exposure to sustainable investments and alignment with E/S characteristics, we focus mainly on equity investments while other instruments remain marginal (i.e., less than 10% of the Sub-fund's

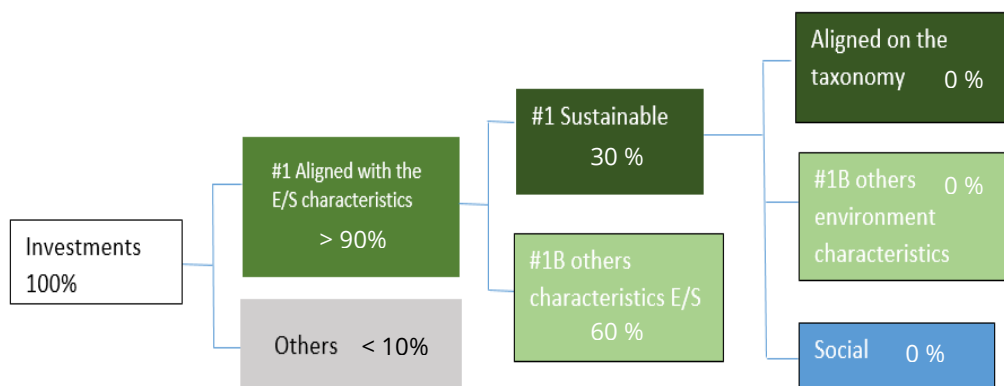
**Asset allocation** refers to the share of investment in a given asset class

Taxonomy-aligned activities are expressed in percentage:

- **of revenues**, to reflect the share derived from activities of companies in which the Sub-fund has invested;
- **of capital expenditure** (CapEx), to show green investments by companies for transition to a green economy;
- **of operating costs** (OpEx), to reflect green operations of companies in which the Sub-fund has invested

<sup>13</sup> Our fund managers apply summary internal fundamental analysis in our global proprietary « Quality Rating ». It is based on a study of various criteria in the economic model: quality of management, solidity of financial structures, and criteria related to the environment, social issues and society, governance (ESG) which are the object of a specific independent rating, the internal ESG rating, integrated into our overall «Quality rating» for which the scale is from 1 to 10 (10 being the best possible rating). This ESG rating, based on a qualitative assessment that does not claim to be exhaustive, accounts for one-third of Overall Quality. A study of the various criteria determines a « Quality rating ». A high rating reflects good-quality fundamentals for a given level of valuation. This rating, which includes ESG issues, is one of the elements that guides investment decisions and may drive ongoing dialogue with companies or even engagement actions where necessary due to potentially material ESG risks. **The governance criteria assessed for this rating are management quality, respect for minority shareholders, transparency and financial communication, responsible remuneration of directors and employees. Note the recent strengthening of these criteria by the addition of 3 new items: assessment of governance structure, fiscal responsibility and business ethics.**

net assets), namely money market products (including UCITS/AIFs), derivatives attached to a corporate security, shares in funds and other diversification off-balance-sheet instruments mentioned above. Instruments excluded from the calculation are classed in the #2 Others category of the allocation schema.



**Category #1 Aligned with E/S characteristics** includes investments by the Sub-fund to achieve the environmental and social characteristics that it promotes.

**Category #2 Others** is the Sub-fund's remaining investments that are neither aligned with environmental and social characteristics, nor qualified as sustainable investments.

Category #1 Aligned with E/S characteristics covers:

- The **#1A Sustainables** sub-category covers sustainable investments that have environmental or social objectives
- The **#1B Other E/S characteristics** sub-category covers investments aligned with environmental or social issues that do not qualify as sustainable investments.

- ***How does the use of derivatives help to achieve the environmental and social objectives promoted by the financial product?***

The SEXTANT PME Sub-fund may use derivatives in order to gain exposure to – or partially hedge against – favourable or unfavourable trends in equities, indices, interest rates and forex. These instruments are not used to achieve the environmental or social characteristics promoted by the product.

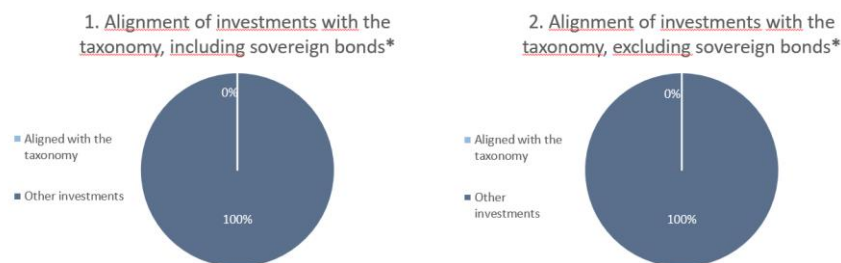
**What is the minimum level to which sustainable investments with an environmental objective are aligned with EU taxonomy?**

The SEXTANT PME Sub-fund makes sustainable investments, as defined by the taxonomy, for which the aligned green share is at least 0% of its assets. At present, communication of alignment data remains partial: the CSRD regulation concerning publication by companies of aligned green share only became compulsory at end-2022.

However, this Sub-fund will communicate its green share in its annual report on the basis of reported or estimated data currently available, although some are not aligned with regulatory requirements of equivalent data. Based on this data and for illustrative purposes, the Sub-fund's alignment with Taxonomy was 1.93% on 30 November 2022. This percentage does not represent an engagement and it should not be considered an indication of future levels.

The two charts below show (in green) the minimum percentage of investments aligned with EU taxonomy. As there is no appropriate methodology to determine alignment of sovereign bonds\* with the taxonomy, the first chart presents alignment of the financial product with the taxonomy relative to all component investments including sovereign bonds, while the second chart illustrates alignment with the taxonomy solely for investments other than sovereign bonds.

Not applicable



\* For the purposes of these charts, "sovereign bonds" include all sovereign exposures.

#### What is the minimum share of net assets invested in transitory and enabling activities?

Not applicable

#### What is the minimum share of sustainable investments with an environmental objective non-aligned with EU taxonomy?

The SEXTANT PME Sub-fund has not committed to a minimum share of sustainable investments with an environmental objective non-aligned with EU taxonomy.

#### What is the minimum share of sustainable investments with a social objective?

The SEXTANT PME Sub-fund has not committed to a minimum share of investment in sustainable investment that have a social objective.

#### Which investments are included in the « #2 Others » category? What is their ultimate purpose and are there any minimum environmental and social guarantees?

The instruments in the « #2 Others » category are diversification tools principally used to counter unfavourable short-term market trends. As mentioned above, this category includes UCITS/AIFs, hedging derivatives, securities with derivatives attached, deposits and cash holdings and borrowed funds. It may also include equities that are not rated by external agencies (very small capitalisations, IPOs etc.).

These investments may be subject to the Sub-fund's sectoral and normative exclusions and Amiral Gestion's policy with respect to controversies mentioned above and included in the DNSH SFDR, subject to data availability.

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

**Transitory activities** are activities for which there is still no low-carbon alternative and, among others, whose GHG emissions correspond to the best performances achievable



This symbol represents sustainable investments that have an environmental objective but do not take into account criteria applicable to environmentally sustainable economic activities as defined by EU taxonomy

Benchmark indices allow us to ascertain if a financial product has the environmental or social characteristics that it promotes

**Has an index been selected as a benchmark to determine if this financial product is aligned with the environmental and/or social objectives it promotes?**

The non-financial approach adopted by the SEXTANT PME Sub-fund is not benchmarked against any specific index. The investment team monitors the Sub-fund's ESG characteristics and performances relative to a benchmark universe that is coherent with the Sub-fund's investment strategy and comprising 1,220 French and European small- and mid-cap companies covered by the research of our non-financial ratings agency partner Ethifinance, without taking into consideration their ESG performances.

- **How is the benchmark index permanently aligned with each of the environmental or social characteristics promoted by the financial product?**  
Not applicable
- **How is alignment of investment strategy with the methodology of the index guaranteed on a permanent basis?**  
Not applicable
- **How is the index different from a general market index?**  
Not applicable
- **Where can one find the method used to calculate the selected index?**  
Not applicable

**Where on the web can information be found that is specifically for the product?**

More detailed information about an individual product is available on the Asset Management Company website:

<https://www.amiralgestion.com/fr/sextant-pme>