ANNEX II

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

Product name:
CLARTAN FLEXIBLE

Legal entity identifier:
2221005YJ5R25CWH6U35

Environmental and/or social characteristics

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 environ mentally sustainable under the EU Taxonomy
- ☐ with a social objective

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

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 e**nvironmentally 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.

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

The environmental and social characteristics promoted by Clartan Flexible (the "**Sub-fund**") are based on three investment pillars: the **exclusion** of certain business sectors and behaviours based on the analysis of controversies that may affect certain companies held in the portfolio or in which the Sub-fund may wish to invest; a **"best in class"** approach aimed at investing in companies and countries that stand out from their peers for their high level of consideration of extra-financial criteria; and finally, an **active shareholding** approach.

1) Exclusion
Clartan Associés excludes from the scope of investment of the Sub-fund companies operating in sectors whose products and services are costly in the long term for the human community and that are detrimental to human dignity. Companies guilty of serious actions contrary to business ethics, good governance practices or harmful social or environmental impacts are also excluded. This involves both sectoral and behavioural exclusions.

The exclusion policy applies only to the Sub-fund's investments in shares of listed companies and corporate bonds.

Sectoral exclusions:
Any company generating more than 5% of its turnover in the following sectors is excluded from the scope of investment:
- Tobacco
- Gambling
- Pornography
-Thermal coal
- Non-conventional weapons
- Non-therapeutic cannabis

Behavioural exclusions:
Based on both research provided by an external provider and internal analysis, the controversies to which companies may be subject are classified into 4 qualitative levels of seriousness. Any company that is the subject of the highest level of controversy will be systematically scrutinised by the Clartan Associés ESG Committee and, if necessary, excluded (any exclusion must be duly justified). This is analysed on a case-by-case basis.

Controversies may relate to the E, S and G pillars and, where relevant, be indicative of a lack of alignment with internationally recognised standards, such as:

- the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- the Ten Principles of the United Nations Global Compact (UNGC);

- the Fundamental Conventions of the International Labour Organization (ILO) and the ILO Declaration on Fundamental Principles and Rights at Work
- UN Guiding Principles on Business and Human Rights (UNGP)

2) Inclusion (or *best-in-class approach*)

The Sub-fund's investment selection process focuses on quality criteria. Clartan Associés seeks to select primarily companies with competitive advantages that are deemed to be sustainable in order to maintain high profitability over the long term, as well as countries that demonstrate long-term institutional, economic and democratic reliability.

In particular, Clartan Associés has chosen to focus the Sub-fund's investments on the best performing issuers in their sector from an ESG point of view, by applying a qualitative filter to the Sub-fund's investment universe.

To determine ESG performance, Clartan Associés relies mainly on the services provided by an external provider, i.e. MSCI. MSCI's ESG ratings – on a scale ranging from AAA to CCC – assess companies' ability to manage their ESG risks and opportunities by taking into account sector-specific environmental and social criteria, as well as a universal governance pillar applied to all companies.

Clartan Associés undertakes to invest 50% of the Sub-fund's net assets in equities of listed companies and in bonds rated in the highest rating categories (ratings of A or better) (best-in-class approach).

For more information on the rating methodology, please refer to the dedicated section on the Clartan Associés website at www.clartan.com.

3) Active shareholding

By exercising its voting rights, Clartan Associés can help to ensure that the rules of good governance are properly applied and that environmental and social concerns are taken into account in the strategy of the companies it owns. This right may be exercised at the general meeting of shareholders in which the Executive Chairman participates.

When voting at general meetings, Clartan Associés aims to vote on at least 50% of the equity assets held by the Sub-fund.

Clartan Associés also undertakes to establish a dialogue on ESG issues with companies during individual meetings with management.

The active shareholding and dialogue policy only applies to assets invested in shares of listed companies held by the Sub-fund.

The Sub-fund does not have a designated benchmark to achieve the environmental or social characteristics promoted by the Sub-fund.

Sustainability indicators assess the extent to which the environmental or social characteristics promoted by the financial product are achieved.

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

  Clartan Associés undertakes to invest 50% of the Sub-fund's net assets in equities of listed companies and in bonds in the highest rating categories (ratings of A or better, best-in-class methodology and selection summarised in the section above "What environmental and/or social characteristics are promoted by this financial product").

  The proportion of net assets invested in equities and bonds with the best ratings in the sector (AAA, AA, A) is published monthly on the Clartan Associés website and in its monthly reports.

- ***What are the objectives of the sustainable investments that the financial product intends to pursue in particular and how do the investments made contribute to these objectives?***

  None. The Sub-fund does not intend to make sustainable investments within the meaning of the regulation (UE) 2019/2088 (**"SFDR"**).

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, anticorruption and antibribery matters.

- ***How do the sustainable investments that the financial product intends to pursue in particular not cause significant harm to any environmental or social sustainable investment objective?***

  None. The Sub-fund does not intend to make sustainable investments within the meaning of the SFDR regulation.

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

    None. The Sub-fund does not intend to make sustainable investments within the meaning of the SFDR regulation.

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

    None. The Sub-fund does not intend to make sustainable investments within the meaning of the SFDR regulation.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives. It is complemented by EU-specific criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union 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 investment must also not cause significant harm to environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

x	Yes
	No

The Sub-fund takes Principal Adverse Impacts (PAIs) on sustainability factors into consideration as follows:

- PAI 4 (partially considered): thermal coal is a sector that is excluded from the investment scope
- PAI 14 (fully considered): unconventional weapons are a sector that is excluded from the scope of investment
- PAI 1 to 13 (partially and indirectly considered): these PAI are involved to varying degrees in the ESG rating that is used for the best-in-class selection, and/or for the analysis of controversies, the most serious of which are grounds for exclusion (see section headed "What environmental and/or social characteristics are promoted by this financial product" above)

Clartan Associés monitors changes in the 14 PAIs and other indicators for the issuers held within the Sub-fund's portfolio, and provide investors with periodic reports on these changes (Annual Report).



What investment strategy does this financial product follow?

The **investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

Over a period of more than five years, the Sub-fund seeks to optimise its risk/return profile relative to that of the world's main stock markets (mainly OECD countries). To achieve its objective, the Sub-fund invests between 25% and 70% of its net assets in equities of companies listed mainly on the financial markets of OECD countries, with the remainder invested in fixed income products, money market instruments or cash.

The investment decisions for equities (stock picking) and bonds (bond picking), implemented by the Management Committee using a quality and value process, pay particular attention to ESG criteria through the exclusion of certain sectors of activity, the selection of stocks from among those with the best ratings assigned by the external provider and an active approach to shareholding, as described in the section

above “What environmental and/or social characteristics are promoted by this financial product” above.

- ***What are the constraints defined in the investment strategy for selecting investments to achieve each of the environmental or social characteristics promoted by this financial product?***

The Sub-fund has implemented a restrictive policy of sector and behavioural exclusions, which applies to 100% of the investments in equities and corporate bonds, as well as a requirement for a minimum of 50% of net assets to be invested in equities and bonds with the highest ratings assigned by the external provider, as described in points 1) and 2) of the section above “What environmental and/or social characteristics are promoted by this financial product”.

- ***What is the minimum proportion to which the financial product commits to reducing its investment scope before this investment strategy is implemented?***

At this stage, Clartan Associés has not formally committed itself to a minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy.

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

- ***What policy is in place to assess the good governance practices of the companies in which the financial product invests?***

Governance practices are analysed by the external provider's research team using its proprietary methodology. The main points analysed include transparency, capital structure, composition and operation of management bodies (board of directors, senior management), remuneration systems, quality of financial statements, and business ethics.

What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

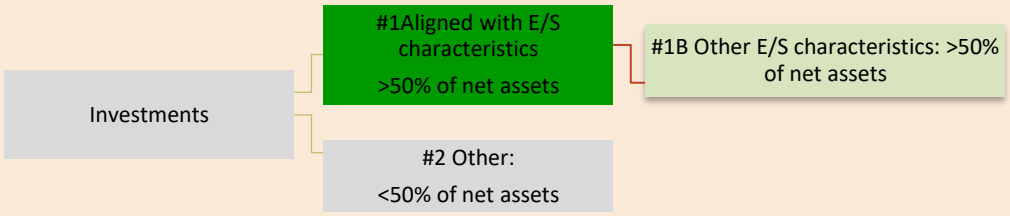
- **turnover** reflecting the share of revenue from green activities of investee companies;

- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy;

- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

At least 50% of the Sub-fund's assets are invested in equities and bonds selected on the basis of the binding elements of the investment strategy used to comply with the environmental or social characteristics promoted by the Sub-fund as detailed in the section "What environmental and/or social characteristics are promoted by this financial product?", and fall into the category "#1 - Aligned with E/S characteristics".

The Sub-fund may hold up to 50% of investments falling into category "#2 Other", as described in the section "What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?"



#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.
#2 Other 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?

Derivatives are not used to achieve the environmental or social characteristics promoted by the Sub-fund.

In order to comply with the EU Taxonomy, the criteria for **fossil gas** include emission limits and a shift to renewable electricity or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive rules on nuclear safety and waste management.

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

The Sub-fund does not have a minimum share of sustainable investments with an environmental objective aligned with the EU Taxonomy.

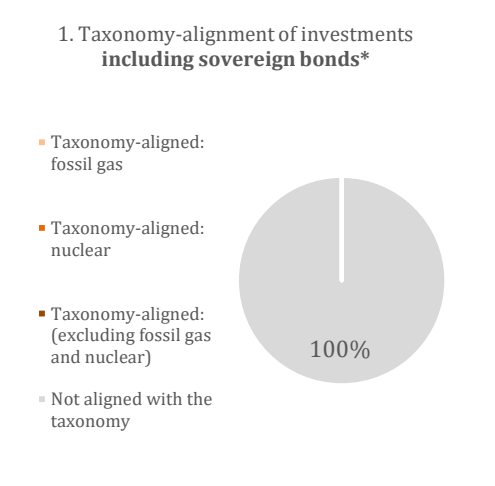
- **Does the financial product invest in fossil gas and/or nuclear energy activities that comply with the EU Taxonomy[4]?**

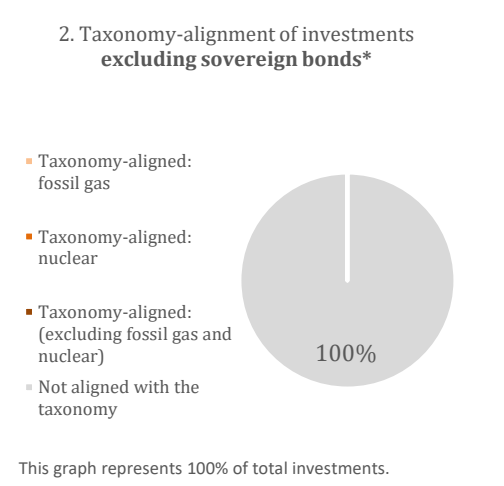
  - [ ] Yes
    - [ ] In fossil gas
    - [ ] In nuclear energy
  - [x] No

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 other things, have greenhouse gas emission levels corresponding to the best performance.

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.*

[4] Fossil gas and/or nuclear activities will only comply with the EU Taxonomy if they contribute to limiting climate change ("climate change mitigation") and do not cause significant harm to any of the objectives of the EU Taxonomy - see explanatory note in left margin. All the criteria for economic activities in the fossil gas and nuclear energy sectors that are compliant with the EU Taxonomy are defined in Commission Delegated Regulation 2022/1214.

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

The Sub-fund does not have a minimum proportion of investments in transitional and enabling activities, as defined by the EU Taxonomy.



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

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

The Sub-fund does not undertake to invest a minimum proportion of its net assets in sustainable investments with an environmental objective in economic activities that are not aligned with the EU Taxonomy.



What is the minimum share of socially sustainable investments?

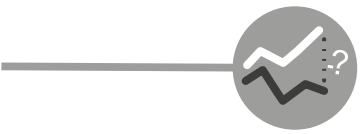
The Sub-fund does not undertake to invest a minimum proportion of its net assets in socially sustainable investments.



What investments are included under "#2 Other", what is their purpose and do minimum environmental or social safeguards apply to them?

The "#2 Other" category includes:

- equities or bonds with ratings of less than A assigned by the external provider, but meeting at least the sectoral and behavioural exclusions described above,
- investments in UCITS and/or other UCIs, including money market UCITS, cash and derivatives. These investments do not meet environmental or social requirements. No environmental/social guarantees are applied to these investments.



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?

Not applicable

Benchmarks are indices used to measure whether the financial product achieves the environmental or social characteristics it promotes.

- ***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?***

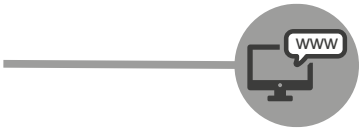
  Not applicable

- ***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?

Specific information on this Sub-Fund can be found on the Clartan Associés website under the heading FUNDS (https://www.clartan.com/fr/fund/clartan-flexible-c/).