

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

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

Product name:
Clartan Ethos ESG Europe Small and Mid Cap

Legal entity identifier:
54930043T01NZXYIFE71

Environmental and/or social characteristics

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

<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy 	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%	<input checked="" type="checkbox"/> 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 Sub-fund applies the Socially Responsible Investment (“SRI”) principles of Ethos Services SA (“Ethos”), the Sub-fund’s investment advisor. The environmental and/or social characteristics promoted by the Sub-fund focus in particular on:

- **Exclude companies whose products are incompatible with the values pursued by the Sub-fund – sector exclusions:**

Companies generating more than 5% of their sales in one of the sectors mentioned below are excluded.

- Conventional weapons;
- Unconventional weapons; Companies operating in this sensitive sector are excluded regardless of their level of involvement or turnover;
- Tobacco;
- Gambling;
- Pornography;
- Genetically modified organisms (“GMOs”) in agrochemicals;
- Nuclear energy;
- Thermal coal;
- Non-conventional fossil fuels.

Ethos also reserves the right to exclude the company from the Sub-fund's investment universe in cases where a company generates more than 5% of its turnover in several sensitive sectors, but no single sector represents 5% of turnover.

- **Exclude companies whose behaviour seriously violates the fundamental principles defined by Ethos – behavioural exclusions:**

The Sub-fund excludes companies whose behaviour violates fundamental principles of ethics and sustainable development. Exclusions linked to corporate behaviour are decided when companies are involved in controversies relating to governance or environmental and social responsibility. These are significant breaches of normative criteria in terms of their magnitude (severity of impact), their scope (extent of impact) or their irremediable nature.

In particular, regular breaches of the main international conventions signed by Switzerland or of one of the 10 principles of the UN Global Compact lead to the exclusion of the company. These are repeated breaches of normative criteria, indicating a systematic failure of company management, tacit authorisation of abuses, or even intentional abuses. Systematic violations are not the result of a single instance of bad behaviour or an isolated accident.

Exclusion criteria include, but are not limited to:

- Ethical business conduct: Non-compliance with the law, corruption, distortion of free competition, misleading or false communication to stakeholders, money laundering, tax evasion or fraud, aggressive tax optimisation, fraud, improper lobbying or corporate complicity;

- Corporate governance: Where several elements of good governance are not respected, in particular where minority investors are poorly protected;
 - Social: Violation of human rights, discrimination, forced labour, child labour, prohibition of trade union organisation and practices, inadequate and dangerous working environment, impact on World Heritage sites;
 - Natural environment: Major environmental damage, violation of the precautionary principle, outdated industrial techniques, unconventional mining and oil extraction techniques, impact on global warming, quality of infrastructure, impact on ecosystems and biodiversity.
- **Evaluating companies according to environmental, social and governance (ESG) criteria – ESG rating:**

The Sub-fund invests primarily in companies with above-average ESG ratings. ESG analysis is structured in three stages: analysis of the company's governance, strategy and reporting. The ESG evaluation helps to establish an ESG rating for each company. To this end, the extra-financial assessment is supplemented by consideration of any ESG controversies to which a company may be subject. When one of these controversies is considered to be major, the company will be excluded from the Sub-fund's portfolio.

ESG ratings are used to classify companies according to their relative ESG performance compared with other companies in the same sector. Ethos uses its ratings to favour investments in the best companies in each sector ("best in class" approach).

- **Evaluate companies according to how well they address climate change issues – carbon rating:**

The Sub-fund invests primarily in companies that integrate climate change issues into their business model and aim to limit their greenhouse gas (GHG) emissions. Ethos' selection of companies is based on a carbon rating and shareholder dialogue on their environmental strategy, as well as the reduction and publication of companies' carbon footprints.

Ethos' SRI principles as applied to the Sub-fund are more fully described here: [https://www.ethosfund.ch/sites/default/files/2022-10/2022 Principes Ethos pour ISR FR A4 FINAL.pdf](https://www.ethosfund.ch/sites/default/files/2022-10/2022%20Principes%20Ethos%20pour%20ISR%20FR%20A4%20FINAL.pdf)

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

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

Sustainability indicators are currently used ex-post to demonstrate that the sustainability approach implemented for the Sub-fund is producing the expected results. The following is a non-exhaustive list of indicators used in the Sub-fund's 2021 extra-financial report:

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

- Breakdown of companies invested in by sustainability category, as a percentage of assets;
- Breakdown of securities by highest level of ESG controversy;
- Exposure to securities of companies excluded because of their products;
- Turnover with a positive impact, as a percentage of assets;
- Percentage of independent members on the Board of Directors;
- Gender diversity on the Board of Directors;
- Average gender pay gap in the workplace;
- Number of shares in companies that do not have a human rights policy;
- Number of company shareholdings with a policy prohibiting child labour and slavery;
- Carbon intensities according to different calculation methods, taking into account scopes 1 and 2 of the GHG Protocol;
- Breakdown of companies with targets or commitments in line with the “Science-based Target” initiative, by number of companies.

Furthermore, in relation to French SRI certification, the four E, S, G and Human Rights indicators used are the following:

E: Balance of companies having goals or commitments linked to the Science-based targets initiative, by number of companies.

S: Average gender pay gap in the workplace

G: Gender diversity on the board of directors

HR: Number of shares in companies that do not have a human rights policy

- ***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?***

Not applicable. 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?

Not applicable. 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?

Not applicable. 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:

Not applicable. 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?

Yes

No

The principal adverse impacts (PAIs) on sustainability factors are taken into account through the sustainability analysis carried out by Ethos which are described above.

The table below summarises the Sub-fund’s current consideration of the 14 PAIs applicable to investments in companies:

Principal adverse impacts	Factors considered by the Sub-fund
1. GHG emissions	

2. Carbon footprint	These PAIs are taken into account in the ESG analysis (ESG rating), in the analysis of how companies take climate change into account (carbon rating) and in the sector exclusions (thermal coal and non-conventional fossil fuels).
3. GHG intensity of investee companies	
4. Exposure to companies active in the fossil fuel sector	These PAIs are taken into account in the analysis of how companies take climate change into account (carbon rating) and in the sector exclusions (thermal coal and non-conventional fossil fuels).
5. Share of consumption and production of non-renewable energy	
6. Energy consumption intensity by sector with significant climate impact	This PAI is taken into account in the analysis of how companies take climate change into account (carbon rating).
7. Activities with a negative impact on biodiversity-sensitive areas	This PAI is taken into account in the analysis of how companies take climate change into account (carbon rating) and through behavioural exclusions.
8. Discharge into water	This PAI is taken into account in the ESG analysis (ESG rating) and in the behavioural exclusions.
9. Ratio of hazardous and radioactive waste	This PAI is taken into account in the sectoral (nuclear energy) and behavioural exclusions.
10. Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises	These PAIs are taken into account in the behavioural exclusions.
11. Lack of compliance processes and mechanisms to monitor adherence to the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises.	
12. Unadjusted gender pay gap	These PAIs are taken into account in the ESG analysis (ESG rating).
13. Gender diversity in governance bodies	
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons or biological weapons)	This PAI is taken into account in the sectoral exclusions. The Sub-fund excludes all companies involved in controversial activities related to armaments.



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

What investment strategy does this financial product follow?

The Sub-fund seeks, over a period of more than 5 years, to achieve a performance which is simultaneously positive in absolute terms and superior to that of the main European small and mid-cap indices denominated in euros, by applying the socially responsible investment principles of Ethos, the Sub-fund's adviser in this area. To achieve this objective, the Sub-fund invests in shares of companies listed on a financial market, having a capitalisation of between one hundred and fifty million euro and twenty billion euro at the time of investment, having their registered office in a State that belongs to the Council of Europe and mainly in a Member State of the European Economic Area, and recognised by Ethos for their positive contribution to environmental, social and governance issues. The initial investment universe of around 600 stocks is made up of issuers that may belong to the Morningstar Developed Europe Mid Cap Target Market Exposure, MSCI Europe, MSCI Europe Small + Micro Cap and SPI indices, and are covered by the extra-financial research of Ethos, the Sub-fund's advisor. Shareholder voting rights are exercised in the interests of shareholders and other stakeholders.

The Sub-fund focuses on companies that manage their environmental, social and governance issues with conviction and aim to have a positive impact on the environment and society as a whole. These companies are selected by Ethos on the basis of an analysis of ESG criteria, an assessment of their climate change strategy and an evaluation of the positive contribution of their products and services to solving environmental challenges, as described in the section above "What environmental and/or social characteristics are promoted by this financial product?". The analysis of social sustainability takes into account the company's relations with all its different stakeholders, in particular employees, customers, suppliers, civil society and shareholders. Corporate governance is assessed in particular through an analysis of shareholders' rights, the composition and operation of the Board of Directors, and the structure of the remuneration system.

Within the investment universe defined by Ethos through extra-financial analysis and evaluation, the Sub-fund management committee applies an investment discipline based on qualitative criteria (sustainability of profitability) as well as its own valuation criteria (determining the discount required to invest).

- ***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?***

Ethos has developed a unique and exclusive sustainable methodology for the Sub-fund, based on its long-standing expertise.

Companies are classified in the following sustainability categories:

LEADER ESG	These are companies that integrate best practice in terms of social and environmental responsibility (SER) into their business model and respect high standards of governance. These companies are generally well prepared for the structural changes underway.
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LEADER IMPACT	These are companies in which a significant proportion of the solutions and services they offer have a generally positive impact on meeting global challenges, such as climate change and the loss of biodiversity, or on society as a whole, such as the health and education sectors.
STRONG PERFORMER ESG	These are companies that recognise the challenges of sustainability and implement leading CSR policies while adapting their business model to integrate sustainability at every stage of their value chain.
STRONG PERFORMER IMPACT	These are companies offering innovative solutions and services that have a generally positive impact on meeting global challenges, such as climate change and the loss of biodiversity, or on society as a whole, such as the health and education sectors.
CHALLENGER	These are companies which, although they do not yet have the same CSR policies as a Leader or Strong Performer, take a positive approach to adaptation and recognise the challenges of sustainability. These companies are often candidates for promotion to the higher categories.
FOLLOWER	These are companies that are subject to major controversies and/or that do not appear to be managing their environmental and social issues satisfactorily and/or whose governance presents a significant risk for shareholders.
LAGGARD	These are companies that are either active in sectors excluded by Ethos, are subject to major controversies or that do not comply with the minimum standards in terms of CSR and governance.

Only companies identified as LEADER, STRONG PERFORMER and CHALLENGER may be included in the Sub-fund's investment universe.

Ethos applies a three-step selection process to determine which category a company falls into, as described in the section above "Which environmental and/or social characteristics are promoted by this financial product?" above:

First step: Identification of companies that generate 5% or more of their sales in one or more sectors defined as sensitive (negative filtering).

Ethos identifies companies with sensitive activities or active in sensitive sectors, such as armaments (conventional and non-conventional), thermal coal, non-conventional fossil fuels, nuclear energy, tobacco, genetically modified organisms in the agro-industry, gambling and pornography.

Second step: Selection of the best companies according to a double sustainability filter (best-in-class filtering)

ESG analysis (ESG rating)

Ethos evaluates companies on the basis of a standard quantitative multi-criteria approach using around 100 ESG data points divided into three main categories:



Each company is assigned an ESG score based on the above criteria. The ESG score takes into account the ESG characteristics specific to the sector and positions the company in relation to its peers.

An ESG rating is assigned to each company based on its ESG score (quantitative analysis) and its level of exposure to ESG controversies (qualitative analysis). Ethos identifies companies involved in ESG controversies, such as human rights and labour rights violations, serious environmental damage, significant corruption, etc. In this process, Ethos also measures the relevance of companies’ responses to these controversies and takes this into account in the final level of seriousness attributed to the controversy.

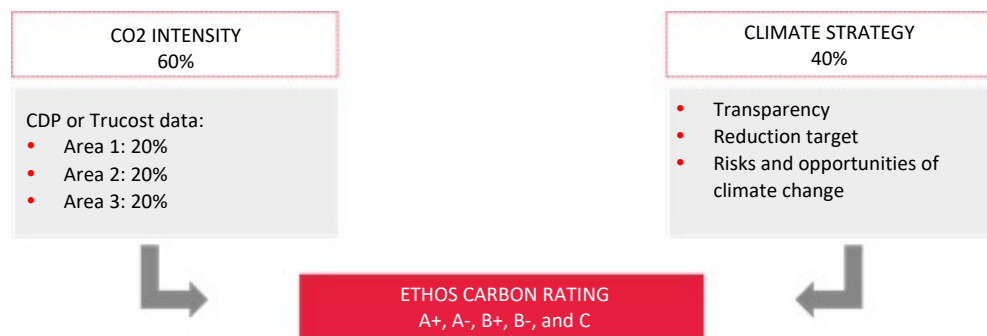
The company’s final ESG rating is calculated as follows:

		ESG SCORE (difference from the average)			
		Less than -1 standard deviation	Below average	Above average	More than +1 standard deviation
MAXIMUM LEVEL OF CONTROVERSY	none / minor	B-	B+	A-	A+
	moderate	B-	B+	A-	A-
	serious	B-	B-	B+	B+
	severe	B-	B-	B-	B-
	major	C	C	C	C

The result of this analysis is a comprehensive assessment of companies' policies and governance systems (G) in relation to the environmental (E) and social (S) challenges they face, and helps to identify forward-thinking companies that meet the best criteria in terms of corporate responsibility with a long-term focus and that are leaders in their sectors.

Analysis of climate strategy (carbon rating)

Ethos has developed a proprietary corporate climate strategy analysis that measures a company’s carbon footprint and compares it to that of its peers (quantitative assessment) and evaluates its climate change strategy (qualitative assessment).



The quantitative assessment compares a company's carbon intensity with the carbon intensity of companies in its sector. Carbon intensity takes into account all GHG emissions as defined by the GHG Protocol:

- Area 1: emissions directly related to manufacturing (e.g. use of fossil fuels)
- Area 2: emissions related to energy consumption in manufacturing (e.g. electricity generated using coal)
- Area 3: emissions related to product life cycles and use (e.g. supply chain, use, recycling).

The qualitative assessment focuses on the strategy implemented by the company to reduce its carbon footprint and combat climate change. Both absolute reduction targets and intensity reduction targets (relative reduction) are analysed as part of this assessment. In addition, measures to promote the transition to renewable energies and the transparency and completeness of environmental reporting are analysed.

Third step: Positive selection (positive impact)

Finally, Ethos identifies companies whose products and services have a positive impact on the environment and society as a whole and provide solutions to global challenges. These impacts include the circular economy, education, low-carbon mobility, health, natural capital, pollution control, sustainable building, sustainable energy, sustainable finance and sustainable water management.

Ethos has developed a positive impact methodology to identify companies active in sectors or activities that have a positive impact on the environment and society in general. The aim of this methodology is to redirect capital towards sustainable activities in order to meet the major challenges of our time, such as the fight against global warming in line with the objectives of the Paris Agreement. Ethos has grouped the activities considered to have a positive impact and which play a key role in the transition to a sustainable society into ten themes:



Health and well-being



Education, training and culture



Sustainable energy



Circular economy



Low-carbon mobility



Pollution control



Resilient agriculture, aquaculture and forestry



Sustainable real estate



Sustainable water management



Sustainable finance

Ethos has established sustainability categories that take into account all three stages of the selection process:

Sustainability category	ESG rating <i>minimum</i>	Carbon rating <i>minimum</i>	% Positive impact <i>minimum</i>
LEADER ESG	A+	A+	-
LEADER IMPACT	A-	A-	25%
STRONG PERFORMER ESG	A+	A-	-
STRONG PERFORMER IMPACT	B+	B+	10%
CHALLENGER	A-	A-	-
FOLLOWER	B+	B+	-
LAGGARD	-	-	-

Only companies identified as LEADER, STRONG PERFORMER and CHALLENGER may be included in the Sub-fund's investment universe.

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

The application of socially responsible investment ("SRI") principles by Ethos narrows the initial investment universe down by at least 30%.

- **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 Ethos research team using its proprietary methodology. The main points analysed include transparency, capital structure, the composition and operation of management bodies (board of directors, senior management), remuneration systems, shareholder rights and business ethics.

For more information: [https://www.ethosfund.ch/sites/default/files/2022-10/2022 Principes Ethos pour ISR FR A4 FINAL.pdf](https://www.ethosfund.ch/sites/default/files/2022-10/2022%20Principes%20Ethos%20pour%20ISR%20FR%20A4%20FINAL.pdf)

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



What is the asset allocation planned for this financial product?

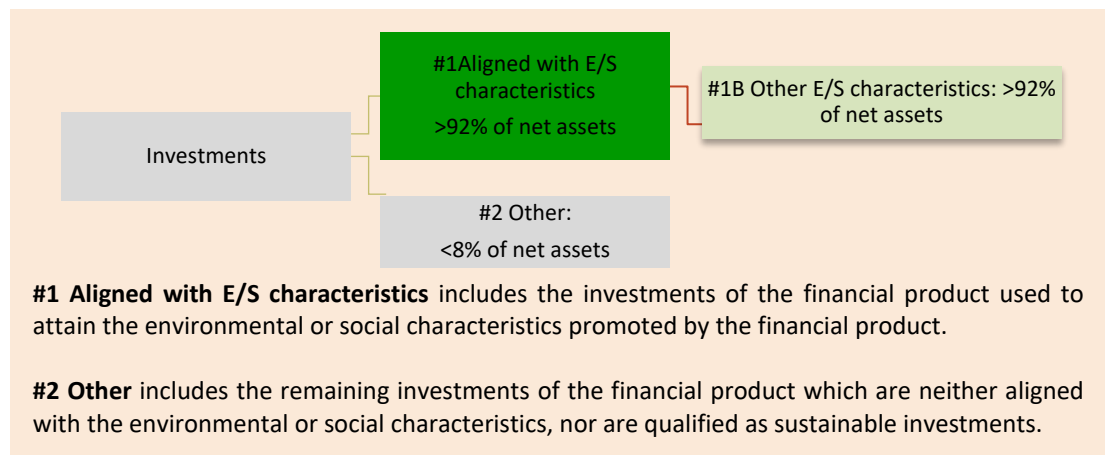
Asset allocation describes the share of investments in specific assets. Taxonomy-aligned activities are expressed as a share of:

- **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.

The Sub-fund invests at least 92% of its net assets 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”.

At the time of investment, all these company shares must meet the Sub-fund’s sustainability criteria, i.e. be identified by Ethos as a Leader, Strong Performer or Challenger. If a company in the portfolio were to lose its sustainability rating (Follower or Laggard categories according to Ethos), the manager of the Sub-fund would have one month to sell the position.

The Sub-fund may hold up to 8% 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?”.



- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The use of derivatives is prohibited, with the exception of foreign exchange contracts, which are permitted for short-term hedging of currency exposure when securities are bought or sold in a currency other than the reference currency of the Sub-fund.

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



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

The Sub-fund's investments are not investments in environmentally sustainable economic activities as defined by the Taxonomy Regulation.

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.

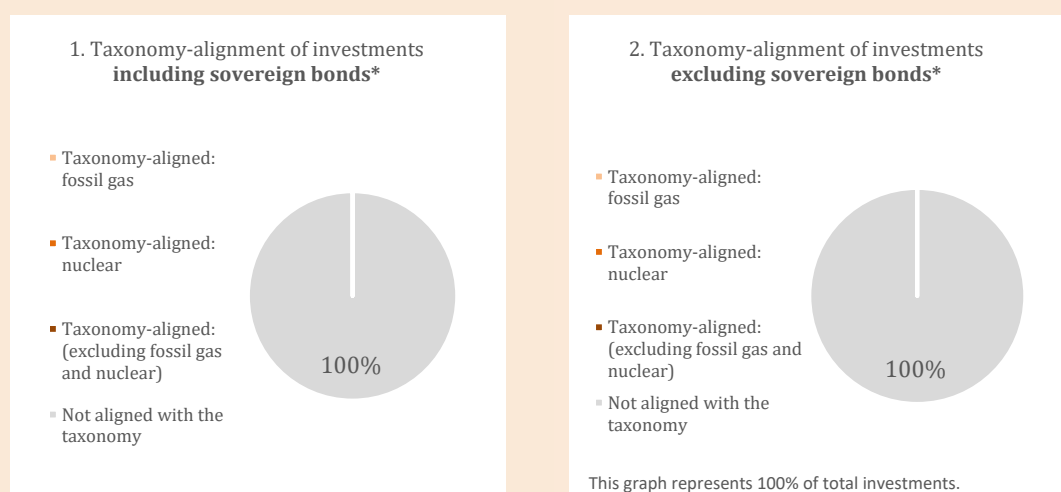
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

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.

● **Does the financial product invest in fossil gas and/or nuclear energy activities that comply with the EU Taxonomy⁶?**

- Yes
- In fossil gas In nuclear energy
- No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

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

The Sub-fund does not undertake to invest a minimum proportion of its net assets in transitional and enabling activities, as defined by the EU Taxonomy.

⁶ 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.



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.



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

The Sub-fund does not 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?

Investments in the “#2 Other” category (maximum 8% of net assets) are cash, which may be invested in money market UCITS, and derivatives (foreign exchange contracts accepted for short-term hedging of currency exposure when buying or selling securities in a currency other than the reference currency of the Sub-fund). They 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?

No such index has been designated.

- ***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?

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

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-ethos-esg-europe-small-et-mid-cap-c/>).