



# Report 2022

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ENERGY CLIMATE LAW, ARTICLE 29

## Regulatory framework

Article 29 of the Energy Climate Act No. 2019-1147 of 08/11/2019.

Implementing Decree No. 2021-663 of 27 May 2021.

Articles L533-22-1 and D533-16-1 of the French Monetary and Financial Code.

AFG/Deloitte professional guide on energy climate law

## Preamble

Article 29 of the Environmental Act (Climate Energy Act) annuls and replaces the provisions of Article 173 of the Energy Transition Act and seeks to coordinate French regulations with European regulations SFDR and Taxonomy. It amends Articles L.533-22-1 and D.533-16-1 of the French Monetary and Financial Code.



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## 1. Information derived from the provisions of article 29 of the Energy and Climate Act

### A. GENERAL DEMARCHE DE LA SOCIETE DE GESTION

#### 1. ESG CRITERIA CONSIDERED

In 2022, Palatine Asset Management consolidated its position as a premium boutique with a strong commitment to ESG in order to meet its clients' expectations. In an increasingly demanding ESG regulatory environment (Taxonomy, SFDR, MIFID, etc.), we have revisited all our processes to ensure our management strength and sustainability positions are robust. To achieve this, the investment team has been strengthened with the recruitment of an analyst and a junior ESG analyst. In addition, fund management is now predicated on investment binaries for a cross view, particularly through the sustainable dimensions of the portfolios. PALATINE AM increased its access to ESG databases by partnering with Humpact (a social data company) in addition to Moody's Solutions ESG, Ethifinance and Trucost.

In addition to our historical expertise on the environment through Palatine Planète, we have mobilised on the Social part of ESG by integrating an innovative investment strategy focused on Sustainable Employment through the Palatine Europe Sustainable Employment fund. While reducing environmental impact is now synonymous with LT financial performance, there is still a tendency to undermine the impact of quality social management in creating economic value at LT. Yet social, and employment in particular are a financial opportunity at LT. It is a sustainable competence of the company, creating added value. Furthermore, making the economy greener will not be at the expense of the social issue. This is what is at stake in the 'just transition.'

Finally, the health crisis highlighted the need to further integrate social issues into financial decision making: The realisation that human capital is the most important natural resource of a company. The ESG analysis (Environmental, Social and Governance) of Palatine AM of an issuer (equity or debt) is built on sustainability risk management (physical risk measurement, transition,...) but also on the management of the main negative impacts of investments on sustainability factors (policy of exclusion of thermal coal, prohibited weapons, controversial companies, application of an ESG screen, calculation of PAI indicators, etc.). It is incorporated into our portfolios through an ESG rating that complements the financial analysis.

At the end of 2022, our range of responsible investment solutions includes 13 Article 8 funds and one Article 9 fund, Palatine Europe Sustainable Employment. 5 equity funds are also labelled SRI.

Our approach, a conviction based management on future themes (energy transition, demographics, digitalisation) combining performance and responsibility, is committed and transparent.

Since 2019 Palatine AM has been a signatory to the PRI. We are a member of the AFG's Responsible Investment Committee and adhere to the AFG FIR-Eurosif transparency code for SRI funds open to the public. Our engagement policy is designed to encourage companies to move forward. This includes a voting policy focused on ESG issues (in partnership with an ISS), dialogue with companies and collaborative engagement with WDI. In 2022, we also systematised the industrialisation of our ESG reporting. PALATINE AM publishes a number of indicators on environmental, social and governance issues. A measure of portfolios' contribution to the UN's Sustainable Development Goals (SDGs) is also calculated.

A SRI committee (composed of the Chief Executive Officer, the Compliance Manager, the Investment Manager, ESG analysts, managers) is held monthly and discusses all strategic issues concerning SRI management.

Investing in more sustainable, fairer companies that pay attention to their environmental impact, focus on human capital with good social policies and have good governance is our goal. Because we want to give meaning and value to our investments.

## 2. ESG REPORTING

### LEVMETRE

Palatine AM publishes a quarterly extra financial report to inform clients about how ESG factors are taken into account in its investment policy.

Palatine AM's SRI approach is part of an ongoing process of improvement. In 2023, the management company aims to further integrate ESG criteria into its SRI strategy and increase the frequency of publication of its ESG reports. The aim is to integrate key non financial indicators into financial reporting in order to make their publication monthly rather than quarterly.

Sri represents 90% of the assets managed by Palatine AM as at 31/12/2022.

### CONTENT

The content of SRI reports varies according to the objectives specific to each product. Minimum indicators monitored for all SRI products are:

#### Carbon footprint

It is calculated using the data provided by our Trucost partner and according to the methodology defined in the model reporting major negative sustainability impacts of Annexe I to Regulation (EU) 2019/2088 of 27 November 2019.

$$\frac{\text{Current value of the investment } i \text{ Corporate } i}{\text{Current Value of All Investments (Meur)}} \times \text{level 1.2 and 3 GHG emissions from society (i)}$$

## Carbon Intensity

It is calculated using the data provided by our Trucost partner and according to the methodology defined in the model reporting major negative sustainability impacts of Annexe I to Regulation (EU) 2019/2088 of 27 November 2019.

$$\frac{\text{Current value of investment } i}{2\text{Current value of all investments}} \times \left( \frac{\text{Level 1.2 and 3 G issues from}}{\text{Company sales (m) i}} \right)$$

### Exposure to fossil fuels

Percentage of assets invested in companies which derive income from the exploration, mining, extraction, production, processing, storage, refining or distribution, including the transport, storage, and trade of fossil fuels as defined in Article 2 (62) of Regulation (EU) 2018/1999 of the [European Parliament and of the Council](#). These companies are identified using Trucost's data.

### Average percentage of women on the executive committee

Average of the percentage of women in management bodies weighted by the weight of these companies in the portfolio. We rely on Trucost data, which we supplement in house coverage as needed. The internal work is based on the public data released by the company or on the results of [engagement shares with companies](#).

### Average percentage of independent directors

Average of the percentage of independent directors on boards weighted by the weight of these companies in the portfolio. We rely on Trucost data, which we supplement in house coverage as needed. Internal work is based on public data released by the company or [on the results of company engagement actions](#).

### Percentage of companies that are members of the Global Compact

Share of UN Global Compact companies in the portfolio compared to the total number of companies invested. We use the data available on the United Nations website.

### Physical risk

Portfolio exposure score for fires, extreme heat or cold waves compared to local climatic conditions, water stress, floods, sea level rise, or hurricanes. Trucost provides us with the score on which we base our metric.

### Transition risk

Percentage of companies, weighted by their weight in the portfolio, that have a share of its revenue in one or more of the following sectors: Underground or open cast oil operation, crude oil extraction, natural gas oil extraction, oil sand, or liquid natural gas drilling, oil or gas well drilling, and any other activity supporting oil and gas operations. The data on which we base our consideration of this rate is provided by Trucost.

### 3. LIST OF PRODUCTS

As of 31/12/2022, 90% of the assets managed at Palatine AM integrate ESG criteria in their investment processes.

The portfolios offered by Palatine Asset Management consider ESG issues, although the degree of consideration may vary from product to product.

#### Palatines Asset Management fund range as at 31/12/2022

	Product Name	Asset class	SFDR classification	% sustainable	Label
	PALATINE Europe Sustainable Employment	Equities	ARTICLE 9	100%	
	Palatine Planète	Equities	ARTICLE 8	75%	
	Palatine Amérique	Equities	ARTICLE 8	0%	

The funds most committed to taking into account extra financial performance include SRI management and include products classified as Article 8 or 9 according to the SFDR and recognized as SRI or France Relance. The 5 SRI rated funds as of 31/12/2022 represented 13.06% of assets under management at this period. Palatine AM's ambition for 2023 is to continue to increase the share of certified funds.

The SRI label helps structure and demonstrate the quality of the fund's ESG strategy. He also urges the management company to develop a shareholder commitment policy for the stocks held in the funds holding the SRI label.

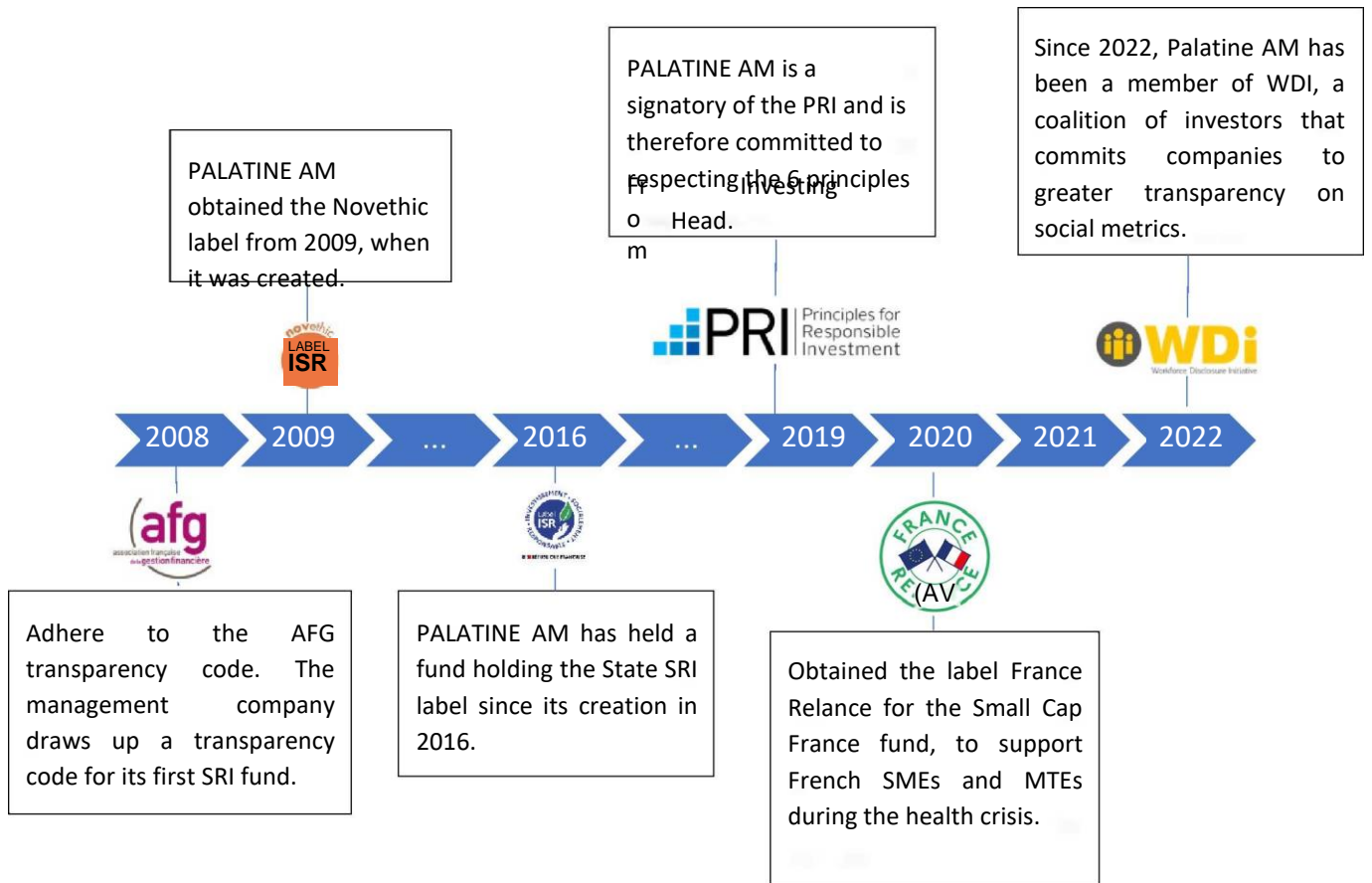
In parallel with its ambitions for labelling, Palatine AM wants to improve the SFDR classification of its portfolios in particular by classifying mixed funds in article 8 within the meaning of the SFDR.

#### 4. CONSIDERATION OF ESG CRITERIA WHEN ALLOCATING INVESTMENT MANDATES

Not applicable in 2022 within Palatine AM.



## 5. PALATINE AM'S COMMITMENTS AND PARTNERSHIPS



## B. INTERNAL ESG CAPABILITIES

### 1. FINANCIAL, HUMAN AND TECHNICAL RESOURCES

#### HUMAN RESOURCES

The ESG research team has been responsible for SRI issues for 16 years at Palatine AM and Director of Management since October 2021. It comprises one specialist ESG portfolio manager and 2 SRI analysts, Pierre Olivier GIRAUD and Clothilde Marlin. In addition, outside of the specialist SRI team, 6 managers are involved in the deployment of Palatine AM's ESG strategy through their investment processes.

Thus, at the end of 2022, human resources devoted to ESG analysis represented 3 FTEs, or 11% of the workforce of the management company.

#### TECHNICAL CAPACITY

ESG research is based on external technical resources. Indeed, Palatine AM complements the information published by the companies themselves by the data collected via non financial rating agencies, brokers' analyses, specialised data providers, etc. As of 31/12/2022, the management company was engaged with the following data providers:

Moody's Solution ESG: An ESG rating agency used by Palatine AM for large caps. Moody's ANALYTICS

B Ethifinance: An ESG rating agency used primarily for small and medium sized companies. Ethifinance ESG ratings

Humpact: Social data providers on employment in France and Europe. **HUMPACT**

S & P Capital IQ ESG: Providers of climate impact data for portfolios

S & P Global  
Market Intelligence

Brokers: Market analysis.

ISS: Proxy for voting in **ISS** >

At Palatine AM, ESG is seen as a powerful long term performance lever and therefore the human and technical resources set up in 2022 should be strengthened during the 2023 financial year. The objective is to strengthen the ESG analyst team, expand access to databases and develop new commitments to obtain more ESG data, particularly with regard to biodiversity.

#### FINANCIAL MEANS

The management company spent €261k in 2022 on acquiring ESG data. This budget relates only to the purchase of external technical resources.

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## 2. DEVELOPMENT OF INTERNAL RESOURCES ALLOCATED TO ESG

### HUMAN RESOURCES

In 2022, the management company conducted internal training sessions. The ESG specialist team organised training sessions for portfolio managers. There were 3 one hour sessions dedicated entirely to ESG.

In addition to this dedicated training time, ongoing exchanges take place between the portfolio managers and the SRI team to facilitate the integration of ESG criteria into the management of Palatine AM.

Finally, the management company has also strengthened human resources dedicated to ESG. In 2022, she hired a new ESG analyst on permanent contracts and an ESG specialist portfolio manager, who is a CFA charterholder for ESG Investing.

### TECHNICAL AND FINANCIAL RESOURCES

During 2022, Palatine AM extended some of its contracts with its extra financial data providers and decided to allocate part of its 2023 training budget to fund the CFA ESG Investing for all members of its management team. Managers will be going through this certification in 2024.

## C. DEMAND TO TAKE ESG CRITERIA INTO ACCOUNT IN THE GOVERNANCE OF THE MANAGEMENT COMPANY

### 1. COMPOSITION OF GOVERNANCE BODIES

The Management Committee is made up of members who are sensitive to ESG issues. All its members show a strong determination to continue to build their skills on these topics. As a result, a comprehensive training plan was rolled out in fiscal year 2022.

Michel Escalera's appointment in June 2021 to the management of Palatine AM, with solid ESG expertise in Spain, and Marie Pierre GUERN's presence on the management committee helped to enrich the committee's knowledge of the ESG issues.

In 2021, as only a portion of the funds managed are encouraged to take sustainability risks into account in investment processes, the compensation policy only partially took this into account in determining bonuses. Since 2022 and the deployment of ESG across most of the fund range, the remuneration policy has detail ESG expectations in terms of the objectives of General Management and Management, with the policy only detailing the objectives of members of the Management Committee. For other staff, including portfolio managers, sustainability is one of the criteria used in end of year evaluations.

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## 2. REMUNERATION POLICY

The remuneration policy is consistent and promotes sound and effective risk management and does not encourage excessive risk taking which is incompatible with the risk profiles of the funds.

- Alignment of Interest: The remuneration policy shall be consistent with the economic strategy, objectives, values and interests of the managers and UCIs (UCITS and AIFs) they manage or those of UCITS and AIF investors and shall include measures to avoid conflicts of interest.
- The various bodies (Remuneration Committee, Board of Directors, Economic and Social Committee) in the exercise of their governance or supervisory function adopt and regularly review the general principles of the remuneration policy at least once a year.
- The management company also undertakes at least an annual reassessment of the remuneration policy.
- No guaranteed bonuses: The guaranteed variable compensation is exceptional, applies only in the context of the hiring of a new staff member and is limited to the first year.
- No golden parachute: Payments linked to early termination of a contract are made over time and are designed to avoid rewarding failure.
- An appropriate balance is struck between the fixed and variable components of total compensation. The fixed component accounts for a sufficiently high proportion of total remuneration. Thus, a fully flexible policy can be exercised on variable components of remuneration, including the possibility of not paying any variable component.
- The implementation of the remuneration policy shall be subject, at least annually, to a central and independent internal assessment, with a view to ensuring that it complies with the remuneration policies and procedures adopted by the management body in the exercise of its supervisory function.
- Variable compensation, including deferred shares, is only paid or acquired if the amount is consistent with the Company's financial position and is justified by the performance of the operating unit.
- The payment of a substantial portion, at least 50% of the variable component of the remuneration, is not deferred in view of the life cycle and the repayment policy of UCITS and AIFs. This measure, in agreement with the AMF, was not put in place due to the caps of the variables at 100% of the fixed and €200000 annual for most employees (former threshold of €100k for the principle of proportionality changed to €200k in 2022).

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➤ . Integration OF ESG CRITERIA IN THE INTERNAL REGULATIONS OF GOVERNANCE BODIES

Professional staff were 17% women as at 31/12/2022.

Although the Board of Directors does not directly incorporate ESG criteria in its internal regulations, the CSR dimension is now part of the data examined.

### 1. LEVMETRE

The engagement strategy is detailed within Palatine AM's shareholder engagement policy available under [Regulation - Palatine Asset Management \(palatine-am.com\)](https://www.palatine-am.com). It has 3 main areas of activity: Engagement through dialogue, collaborative engagement and engagement through the exercise of voting rights.

The commitment of Palatine AM's dialogue aims to reach all companies in the management company's portfolios. Commitment actions are strengthened and prioritised for companies within SRI qualified funds or those with SRI management.

In some cases, the engagement may also involve companies not yet present in Palatine AM's portfolios when their financial results are attractive but ESG performance is contrary to Palatine AM's SRI approach.

Palatine AM's proxy voting commitment is exercised by following the recommendations of ISS's proxy advisor to:

- CAC40 constituents,
- The companies making up the assets of the SRI rated UCIs,
- French companies whose consolidated holding threshold is greater than 0.50% of the market capitalisation
- Foreign owned companies with a market capitalisation greater than €100M.

In other cases, a vote of support or disagreement may be expressed from time to time.

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## 2. VOTING POLICY

### PRINCIPLES OF VOTING POLICY

PALATINE AM ensures that it exercises its voting rights on the basis of the company's specific context, in particular by taking into account its medium and long term strategic orientations, and its environmental and social policy. The principles of our voting policy are designed to promote long term value for our investments and to encourage adherence to and application of best governance and professional ethics practices.

As such, Palatine AM supports the AFG's core principles of corporate governance:

- One share, one voice,
- A general assembly that promotes shareholder democracy,
- An independent and effective board of directors,
- Appropriate, transparent and regularly subject to the vote of the Annual General Meeting,
- Anti takeover barriers

In particular, the fund manager refers to the following principles according to the different types of resolutions submitted to general meetings:

- Decisions leading to a modification of the articles of association: To encourage practises which have a positive effect on the rights of shareholders, including minority shareholders.
- Approval of the accounts and allocation of the results: To encourage the provision of accurate information on the company's results, as well as its evolution.
- Discharge: To the extent that the discharge restricts the use of shares in responsibility of corporate officers, it does not comply with the protection of shareholders' interests.
- Appointment and dismissal of corporate bodies: Encouraging the independence of directors or members of the Supervisory Board.
- Regulated conventions: Encourage the completeness of the information on which votes will be cast. Agreements must be signed in the interests of all shareholders, their clauses must be equitable in the interests of all shareholders.
- Capital transactions:
  - Capital increase with preferential subscription rights (preferential subscription rights): The AFG considers the authorizations for capital increases with preferential subscription rights acceptable, which, potentially combined, do not represent more than 50% of the capital.
  - Capital increase without SDS: The AFG recommends that the capital increase authorisations without SDS and without mandatory priority delay, potentially aggregated, be limited to 10% of the capital. Authorizations for a capital increase without a mandatory priority period of at least 5 days, potentially aggregated, should not exceed 20% of the capital, unless a higher percentage can be justified by specific circumstances formally explained. The AFG is not favorable to capital increases by private placement, unless justification of specific situations formally explained



- By the issuing company (e.g. capital increase by private placement limited to convertible bonds).
- Anti takeover devices: The AFG does not favour the existence of such mechanisms in the interests of minority shareholders. The AFG wants the proposed resolutions to have no ambiguous provisions, and in particular requests that share buyback resolutions explicitly mention that the repurchase of shares during a public offer is excluded.
- Share issue and repurchase programmes: Issues and redemptions must be justified and limited in time and amounts. They should not be used as anti takeover measures.
- The appointment of Statutory Auditors: Encouraging the independence of the Statutory Auditors and the transparency of their remuneration.
- Transparency and fairness in executive and director compensation
  - Free shares: The free share authorizations must specify the performance criteria on the basis of which these shares will be awarded
  - Withdrawal compensation of corporate officers: Must not exceed an amount corresponding to twice the annual fixed and variable compensation, excluding conventional indemnities.

The company does not exclude the possibility of voting mode and the voting policy is, except for the following:

- Resolutions that do not appear contrary to the interests of minority shareholders and the principles of voting policy (described in the question above): Powers are entrusted to the Chairman of the company.
- Resolutions weakening the role of the minority shareholder or opposing his interest: Vote against.
- Results below what the company expected: Abstention or vote against

#### METHOD OF EXERCISE OF VOTING RIGHTS

PALATINE AM exercises voting rights of UCIs by means of mail or electronic voting. However, it does not exclude, if it deems it necessary, any other possibility of voting, such as:

- Physical attendance at the Shareholders' Meeting;
- Proxy voting.

Managers participate in the vote following ISS's recommendations for all French and foreign companies, as well as for SRI and sustainable development.

For France, the Middle Office edits the ballot papers and transmits them to the management for signature. The relevant bulletins are then sent by mail to the custodian account (TCC).

Outside France, voting is conducted via the ISS system, which is directly linked to the TCC. In the absence of ISS recommendations four working days before the meeting, the ballot papers are seized, after analysis, either by participating in the vote for important resolutions under the responsibility of the Director.

Of Management (which has a majority in the decision making process), giving power to the Chief Executive Officer.

### 3. REVIEW OF THE COMMITMENT STRATEGY

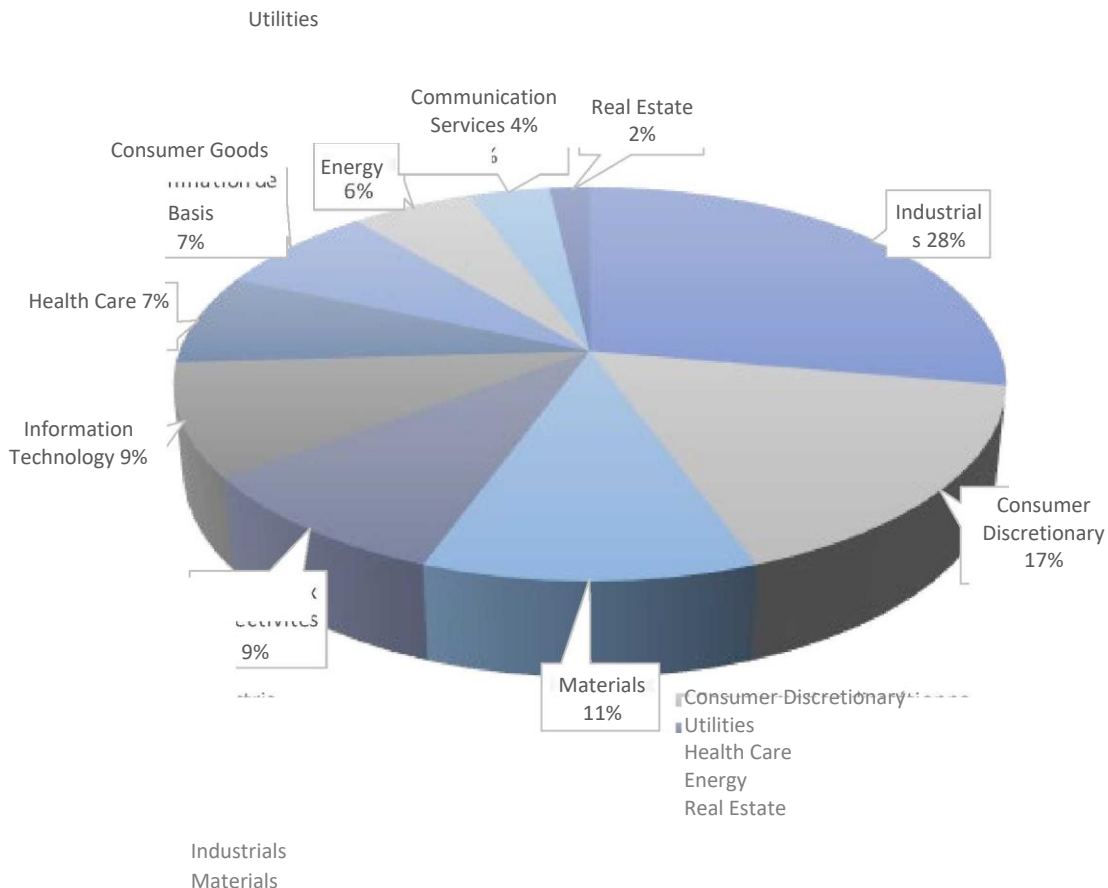
#### TYPES OF COMMITMENTS

PALATINE AM increased its commitment in 2022 to some 50 companies held in the portfolio, as detailed below by type of commitment, sector, themes and themes. Of the fifty six ESG commitments made over the years 2022, fifty companies were targeted. 18% of commitments were made live (one on one) at forums or following requests for interviews on specific themes. The remaining 82% was commitments made at group meetings.

Types of commitments	Total number of ESG commitments	Percentage
Group meetings	46	82%
One on one	10	18%
Total commitment	56	100%

#### SECTOR BREAKDOWN OF UNDERTAKINGS

As regards the sectoral distribution of the companies involved, the 5 main sectors represent 74% of the commitments with: Industry (28%), discretionary consumption (17%), materials (11%), utilities/utilities and technology. information (9%)



Information Technology Consumer Staples Telecommunication Services

## KEY COMMITMENT THEMES

The ESG commitments were grouped into four themes: 'Environment (34%),' 'Social (24%),' 'Governance (25%)' and 'Social (16%),' to which some 60 themes relate in connection with our fundamental analysis model.



Commitment Themes

We have continued to monitor our environmental and climate commitments with a focus on scope 3,

16%

4%

environmental strategy and business model impacts, climate trajectory and target validation through

25%

the Science based Target Initiative. The focus has also been on biodiversity, its consideration by companies with a priority for intensive sectors to better understand its risk and its inclusion in our

25%

investments.

□ Environment Social Governance

Regarding the social aspect, the two main themes that emerge are diversity and health and safety in the workplace including turnover, absenteeism and accidentology including fatal accidents. These two themes were complemented by training and human resources policy, quality of listening, employee satisfaction and diversity within teams. 2022 was also marked by rising tensions and social conflicts over inflation related wage claims, which have led us to strengthen our commitments on these 'Human Capital' aspects.

With regard to governance, the main themes addressed concerned compensation levels, transparency, the inclusion of ESG criteria in compensation and the deployment of the CSR/Sustainable Development strategy. In addition, given the major geopolitical events that took place in February 2022 between Russia and Ukraine, we wanted to engage companies on their position regarding the Russia Ukraine conflict and their exposure to international sanctions adopted. To do this, we have used the Celi list of companies established by the University of Yale to target our engagement actions.

With regard to the societal aspect, which includes themes such as the mission/raison d'être of the business, SDGs, the impact and access of products and services, and local communities and philanthropy, it is the value chain that emerges from the main themes addressed. Indeed,



The year 2021 had been marked by disruptions in value chains inherited from the halt in economies during the pandemic period. Moreover, certain industries (aluminium, glass, chemicals...) are very sensitive to energy prices and depend on gas supply, which was about 40% from Russia. In addition, several sub themes have been grouped in the 'value chain' theme, such as energy supply but also strategic metals, so called critical for the transition (copper, nickel, cobalt, manganese...), the integration of ESG/CSR criteria in audits and evaluations, responsible purchases or supplier engagement.

#### LIABILITIES BY FUND

The commitment rate for the year was calculated on a year over year basis between 01/01/2022 and 31/12/2022 in order to avoid errors related to the exit of a security during the year. The weighting of a company in the portfolio is calculated according to the number of days of holding the issuer, which allows us to obtain the weight of the 'smooth' company over a year and the number of issuers held over the year. We have retained a number of single issuers committed in order not to have double counting. Indeed, some companies were engaged twice during the year because of unexpected events or clarifications requested on a particular theme.

The 'large caps' portfolio commitment rates that had SRI management in 2022 reach almost 50% in terms of the weight of issuers held. Notably, the significant increase in commitment on most funds, from 35 companies met in 2021 to 56 in 2022 (+60%), linked to the strengthening of the ESG team.

Fund	% of issuers committed in 2022	% of issuers committed in 2021	Δ Change (%)	Unique issuers engaged in 2022	Unique issuers engaged in 2021	Δ Change (%)
PALATINE PLANETE (ISR)	55.36%	32.41%	◆ 71%	19	10	● 90%
PALATINE EUROPE SUSTAINABLE EMPLOYMENT (ISR)	49.35%	28.24%	◆ 75%	18	9	● 100%
						4

Commitments are almost doubling for more than half of the funds in terms of number of issuers committed. The *Palatine Planète* fund has the highest level of commitment in terms of its issuers, reaching 55.4%.

The fund *Palatine France Emploi Durable* posted the best performance in terms of the issuers involved in the portfolio followed by *Palatine Entreprises Familiales* and *Conservative Emploi Durable*.

## COMMITMENT FOR MONETARY AND BOND FUNDS

We are maintaining a rich dialogue with issuers to clarify some ESG policies or objectives built on the same principles as equities.

## COLLABORATIVE ENGAGEMENT

In 2022, Palatine AM has reinforced its collaborative commitment through its membership of the *Workforce Disclosure Initiative (WDI)*, an emanation of *Share Action* a joint venture created in 2005 by one of the largest UK pension funds (USS) and the *People & Planet Network (UK Student Group)*.

Today *Share Action* has expanded to include not only pension funds but also asset managers, insurers and banks. *Share share stock* produces in depth research and works with institutional investors on shareholder engagement on key themes such as climate change, employee equity and health.

WDI is a platform supported by 140 institutional investors for corporate labour reporting covering both direct transactions and supply chains.

It covers ten areas of labour management: Governance, risk assessment, contractual status and remuneration, gender diversity, stability, training, well being and labour rights. The WDI applies to all business sectors and covers all geographical regions.

The initiative has made it possible to obtain new information from 118 of the largest listed companies. In its first three years of existence, WDI has significantly improved corporate reporting on Human Capital.

The 2022 report is available on the WDI website.

In 2022, we added twenty issuers to the 1009 list that were proposed by investors to the WDI. A total of 167 (16.55%) responded to the survey, while 126 (12.5%) refused to respond. 117 (11.60%) were approached by the WDI team with a bespoke commitment but did not reply and 53 (5.3%) were directly engaged with the WDI team or a signatory investor.

For our funds, we have provided the following table with the breakdown of the companies committed and their corresponding weight for the year in the fund. Unsurprisingly, large caps and employment oriented funds are over represented.



Fund	WDI engagement rate	Number of companies involved
PALATINE PLANETE	27.97%	8.00
PALATINE EUROPE SUSTAINABLE EMPLOYMENT	40.31%	11.00

#### 4. SUMMARY OF VOTING POLICY

During fiscal year 2022, Palatine AM exercised its voting rights at 131 general meetings that concerned the whole Europe excluding countries in POA (power of attorney).

The overall participation rate is 94%, and the main principles of voting policy have been observed.

##### 1 - Number of companies in which Palatine Asset Management exercised voting rights:

Countries	No. of companies in which PAM held voting rights	Nbre d'AG in which PAM held voting rights	Nbre d'AG in which PAM exercised its voting rights	%
France	90	100	100	100%
Europe ex France	34	40	31	78%
Total Europe	124	140	131	94%

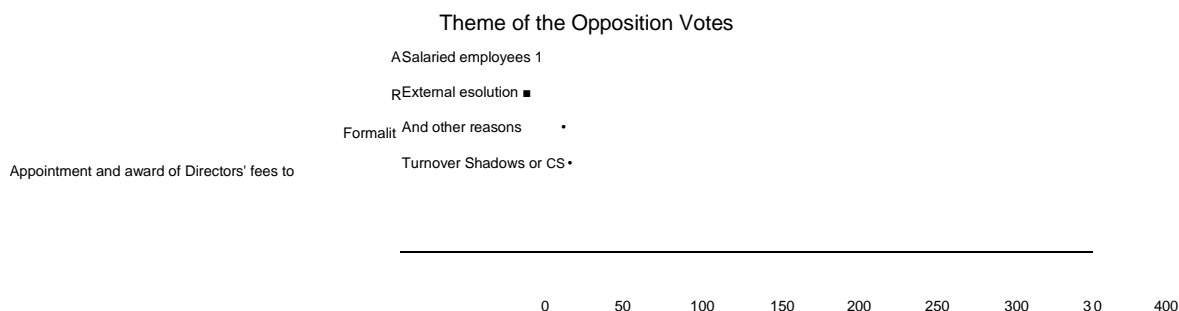
##### 2 - Number of companies in which Palatine Asset Management did not exercise its voting rights:

- No French companies for which we have not exercised our rights.
- 7 companies from European countries in POA (Netherlands, Switzerland, Denmark).

##### 3 - Voting distribution

total number of votes for all UCITS concerns	Total number of résolutions	Number of révotees "for"	Number of révotees "Care"	Number of révotees "against"	Percentage of votes nebackground
VOTées France	4,448	3,660		788	17.72%
VOTées Europe ex France	791	738	2	51	6.45%
Total	5,239	4,398	2	839	16.01%

#### 4 - Analysis of opposition votes



Themes	Number of resolutions voted against	% of negative votes	Motivation
CA or Oversight Member Presence/Days	160	19.02%	At least one third of the directors or members of the Supervisory Board must be independent and the aggregate mandate must not be excessive. Compensation of directors must be in line with standards
Anti takeover mechanism (Issue of reserved subscriptions, share buyback program...) and Financial operations/mergers (capital increase with or without DPS, merger transaction delegation...)	247	29.37%	Not in favour of such schemes in the interests of minority shareholders. The cumulative number of authorisations proposed to this shareholders' meeting may exceed the cumulative percentage of 15% recommended by the AFG's recommendations.
Remuneration of managers and employees (excluding employee share ownership) (Say on pay, AGA/stock option, severance pay, capital increase reserved for employees, etc.)	345	41.02%	Management's interests must be in line with those of shareholders. Remuneration policy must strike a fair balance that is consistent with the motivation needs of employees. Severance pay must be proportional to length of service and compensation must not exceed twice annual compensation (fixed or variable).
Share ownership	2	0.2%	The attribution of free shares must be linked to performance conditions over a period of at least 3 years. It is preferable to separate the resolutions concerning the powers of directors and officers from those intended for employees.
Formalities and other reasons	72	8.56%	
External resolutions	11	1.31%	External resolutions (not approved by the Council)
<b>Total</b>	<b>841</b>	<b>100%</b>	

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## 5. INVESTMENT STRATEGY DECISIONS TAKEN

At the end of 2022, Palatine AM had several sector exclusions related to its ESG investment strategy:

### CONTROLLED WEAPONS:

Since 2018, Palatine AM has developed a policy of exclusion of companies involved in the production and/or marketing of controversial weapons within the meaning of the Ottawa and Oslo conventions. Thus, we exclude all companies involved in the manufacture or trade of anti personnel mines and cluster bombs.

In addition, since the gradual implementation of Regulation 2022/1288 of 6 April 2022, chemical and/or biological weapons are also considered controversial by Palatine AM. Therefore, all companies involved in the manufacture and/or marketing of such weapons are excluded from investment.

To do this, the management teams at Palatine AM rely on an established and regularly updated list of stocks involved in anti personnel mines, cluster bombs and chemical or biological weapons. The companies on this list are not eligible for investment and any company already in a fund that joins the exclusion list must exit the investment universe and funds as soon as possible.

### COAL

According to the International Energy Agency (IEA) Beyond 2° C scenario, all coal fired power plants should be closed by 2030 in the countries of the European Union and OECD, and by 2040 in the rest of the world, to hope to contain global warming below 2° C.

Aware of its responsibilities as an investor, Palatine Asset Management announces the implementation of a coal exit policy in order to align its investments with the Paris Agreements, which aim to reduce greenhouse gas emissions by 2025 and limit the increase in global average temperatures to 1.5° C. PALATINE Asset Management has thus taken another important step in its commitment to the fight against global warming.

This policy applies to all assets managed by the Management Company, excluding external funds, therefore to direct investments in shares and debt securities of companies in the thermal coal sector.

This sectoral policy aims at the definitive withdrawal of coal, an essential step to limit global warming by 2030 at the latest on all asset classes and geographical areas.

Thermal coal related activities: At least investments should be made in thermal coal related activities, i.e. coal mining and coal fired power generation. Coal, the mainstay of power generation in the world, is the energy that contributes the most to the increase of CO2 emissions through its extraction and exploitation. And thermal coal, in particular, is the most polluting fossil energy which is valued, therefore, less and less well. Ultimately, electricity



Produced from this coal will lose productivity compared to the renewables that are becoming increasingly competitive.

Coal exit policy: As of 1 January 2021, Palatine AM decided not to invest any more in companies that develop new coal projects or whose businesses are highly exposed to coal. PALATINE AM wanted to set a relative exclusion threshold based on the share of thermal coal in turnover or the energy mix and therefore to exclude from its management:

- Mining companies which generate more than 20% of their revenues from thermal coal extraction;
- Power companies whose mix of power generation is based on more than 20% coal.

At the same time, it is also relevant to define an absolute exclusion threshold based on coal production or installed capacity. Indeed, some highly diversified companies do not reach the relative exclusion threshold, while the size of their facilities puts them among the world's largest coal operators or producers. PALATINE AM, in line with NGO recommended practise, decided to exclude companies

- Whose annual coal production exceeds 10 million tonnes/year;
- Whose installed capacity of coal fired power plants exceeds 5 GW.

Finally, Palatine AM will not invest in companies that would like to venture into new coal projects.

## CONTROVERSEES

As part of the ongoing controversy management process, the SRI team at Palatine AM conducts a continuous press watch to identify as soon as possible the companies that are guilty of violations of major international conventions on the environment, respect for human rights (child labor, slavery, etc.), business ethics (corruption), etc.

The materiality of a controversy depends on the extent of the controversy (whether it concerns an isolated entity or the entire group, amount of or fines, etc.), its impact (direct and indirect costs, etc.), the reputational risk it represents and the degree of impact it causes on stakeholders. The attitude of society to the controversy and its degree of transparency in dealing with it is also considered.

All companies that have a material controversy considered by Palatine AM are placed on an internal watch list. Companies subject to the highest materiality controversies are the subject of a discussion in the SRI Committee. Depending on the case 2 decisions may be taken: Maintenance of the investment with reinforcement of the commitment mechanisms or exclusion of the value and gradual disinvestment within the shortest time respecting the interests of the holders. A value is placed on the exclusion list in case of severe, actual and repeated violations of any UN Global Compact principles or OECD Guidelines.

Stocks on the watch list are removed after a period of one year without reactivating the same controversy or/and without the occurrence of a new controversy.



Stocks placed on the reinforced commitment list or on the exclusion list may be removed only by decision of the SRI Committee. The list is frequently reviewed and discussed. Stocks exiting these 2 lists are placed on the watch list for a minimum period of one year.

During 2022, for example, the management company committed and/or excluded stocks in the following 2 cases:

- Exclusion of a stock from the energy sector at the end of October at the beginning of November following several controversies. The company was affected by geopolitical tensions and the Russia Ukraine conflict due to its presence in the country. Serious allegations of human rights had been made following an NGO investigation. In addition, some development projects deemed to be extremely risky for the environment and biodiversity, as well as inconclusive explanations from the company, did not allow us to maintain a positive opinion on the stock. Risks related to human rights, business ethics and image risks appeared too important to maintain value. The decision to exclude it from our stock selection has been taken with the actual exit of the relevant portfolios.
- We have placed a value in the agri food sector under surveillance, indirectly cited as a supplier to a distributor for alleged deforestation in the soybean supply to a South American supplier. The engagement of the company via email and then live on one over this perceived controversy of significant severity has de facto impacted the company's ESG rating in our model. However, the engagement enabled a better understanding of the company's positioning, response and remedial actions.  
This commitment has reassured us about the seriousness with which the company addresses these issues and has removed the main reluctance about our investment restrictions for Absolute Return and Rate strategies, while continuing to monitor the company.

## 1. SHARE OF FOOD STOCKS IN THE EU TAXONOMY

PALATINE AM measured the eligibility of its SRI investments to European taxonomy. Sri managed fund assets in 2022 were on average 20.50% eligible.

Sri Fund as at 31/12/2022	Sri Allocation	% eligibility
PALATINE FRANCE SUSTAINABLE EMPLOYMENT	39.97%	18.28%
PALATINE PLANETE	17.05%	32.40%
PALATINE EUROPE SUSTAINABLE EMPLOYMENT	11.46%	14.07%

The management company plans to publish more information when preparing its 2023 report. The scope for which the calculations of eligibility for taxonomy are serviced is still limited to the equity asset class.

We plan to work on its largest deployment in 2023.

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## 2. SHARE OF ASSETS EXPOSED TO FOSSIL FUELS

From the entry into force of Article 4 of Regulation (EU) 2019/2088, Palatine AM has measured and published the exposure to fossil fuels of its investments. Under this measure, fossil fuels are assets invested in companies deriving from the exploration, mining, extraction, production, processing, storage, refining or distribution, including the transport, storage, and trade of fossil fuels within the meaning of Article 2 (62) of Regulation (EU) 2018/1999 of the European Parliament and of the Council.

Sri Fund as at 31/12/2022	% exposure	% Hedging
PALATINE FRANCE SUSTAINABLE EMPLOYMENT	7.53%	100%
PALATINE PLANETE	7.50%	100%

Sri Fund as at 31/12/2022	% exposure	% Hedging
Investment by Palatine AM	9.21%	97%



## F. ALIGNMENT STRATEGY WITH INTERNATIONAL CLIMATE RECOVERY LIMITATION OBJECTIVES BROKERED BY THE PARIS AGREEMENT

### ➤ . PARIS ACCORD ALIGNMENT OBJECTIVES

To date Palatine Asset Management has not yet established a quantified alignment strategy with the Paris agreement and therefore has no GHG emission reduction target for its portfolios by 2030. The current management of the funds does not include an absolute GHG emission mitigation objective.

The measurement of GHG emissions and the climate trajectory of all SRI portfolios is performed. A reflection on this basis is under way to determine a sustainable GHG emission reduction path for the management company.

PALATINE Asset Management in 2022 established a measure of the alignment of its SRI portfolios with the Paris Agreement under the 'Well below 2° C' scenario.

#### SHORT TERM OBJECTIVES -2022/2024

- Train all portfolio managers in ESG: The entire investment team will need to move to ESG as a CFA.
- Make available to all SRI product managers carbon footprints, carbon intensities and portfolio temperature trajectories.
- Improve the coverage of our carbon data to cover at least 90% of our SRI portfolios.
- Adopt a strategy of excluding gas and oil.
- Reinforce our coal exclusion strategy.
- Strengthen the commitment to transparency in carbon data, particularly with small caps invested in the framework of our monetary management.

#### AVERAGE TARGETS-2025/2030

- Reinforce the consideration of temperature trajectories in the stock selection of our SRI portfolios.
- Exclude from our SRI investments companies with temperature trajectories above 3° C.
- Publish the temperature path for our SRI products.
- Join a coalition of investors committed to a carbon reduction trajectory aligned with the Paris Agreement.

#### LONG TERM OBJECTIVES -2030/2050

- Investing only in companies with a Paris Accord alignment trajectory.
- Align all portfolios with a temperature path below 2° C

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## 2. METHODOLOGY USED

PALATINE AM assesses the alignment of the investment strategy with the Paris Agreement of its issuers and portfolios using the GDA approach of the 'Paris Alignment' methodology of data provider Trucost (S & P). This methodology assesses an issuer's alignment with the objectives of the Paris Agreement, which aims to limit global warming below 2° C in relation to pre industrial temperature levels. On the basis of historical data, this approach not only provides a state of the company's current alignment with its past GHG emissions, but also presents a transitional assessment approach based on forward looking data that examine the adequacy of GHG emission reductions over time to meet a 2° C carbon budget. In other words, this methodology helps identify, year by year, the magnitude of GHG emission reductions to be achieved by 2030 to achieve the Paris Agreement objectives: By comparing the total GHG emissions of the portfolio (actual or estimated) from 2012 to 2030 compared to the maximum number of GHG emissions to be aligned with the Paris Agreements, are calculated the GHG emissions that the portfolio emits in excess or below its alignment trajectory. A negative result means that the portfolio is aligned with the scenario, while, conversely, a positive result shows a surplus of GHG emissions. On the basis of this result, this methodology allows the definition of 'portfolio temperature': > 1.5° C, 1.75° C and 1.5-2° C for negative results, and several intervals of 2 to 5° C for positive results.

GHG emission data are expressed, per issuer, in tonnes of CO2 equivalent. These data are sectoralized (GICS classification) and for some issuers they are modeled/extrapolated.

PALATINE AM assesses the alignment of its investments with the Paris Agreement for all its funds Article 8 or 9 within the meaning of the SFDR.



	Portfolios (indices)	Paris Accord Alignment
Equities	PALATINE Europe Sustainable Employment	2-3° C
	Eurostoxx 50	2-3° C
	Palatine Amérique	1.5-2.0° C
	S & P500 ESG	> 3° C
	Palatine Planète	1.5-2.0° C
Global Investment Universe	1.5-2.0° C	

Source: Trucost

### 3. USE OF PARIS AGREEMENT REFERENCE INDICES FOR INDEX FUNDS

PALATINE AM does not manage index funds, the company is not affected by this section.

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### 4. ROLE AND USE IN ESG STRATEGY

Assessing the alignment of our products with global emission reduction targets allows us to understand the efficiency of our strategy for integrating climate change into our management. There are 3 main areas of integration. They are all related to carbon emissions considered in the methodology for assessing the alignment of our products with international objectives.

These 3 thrusts are:

- 1- Integrating climate considerations into ESG analysis: Carbon emissions and decarbonisation trajectories, used in assessing the Paris Agreement alignment of our portfolios, are also considered in the ESG rating of companies.
- 2- Reduction of our investments in highly carbonated assets through a policy of coal exclusion: Mining companies, of which more than 20% of turnover are generated by the extraction of thermal coal, are excluded from the investment universe of Palatine AM funds. Similarly, electric utilities with a electricity production mix of more than 20% coal are excluded from the investment scope. This relative exclusion criterion is supplemented by an absolute exclusion threshold

To ensure responsible investment practices. Thus, mining companies whose annual coal production exceeds 10 million tonnes and energy producers whose coal based production represents more than 5GW are excluded.

- 3- Key negatives considered: Our entire product range aims to achieve a sustainable share within the meaning of the SFDR consider the key negatives of the companies they invest in. Of the negative impacts considered, 7 are climate related.
- 4- Consideration of climate change risks in management, including transition risk. This risk involves uncertain financial impacts (positive and negative) that result from the effects of the implementation of a low carbon economic model. These could include potentially higher prices for greenhouse gas emissions, stronger reporting requirements, regulation of existing products or services, changing consumer behaviour, less emotive alternatives to existing products and services, unsuccessful investment in new technologies, initial costs of developing new lowcarbon technologies, changing consumer preferences, stigmatisation of a sector, and increased negative stakeholder comment.

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## 5. CHANGES TO THE ALIGNMENT STRATEGY WITH THE PARIS AGREEMENT

During the last financial year, we developed the calculation of the alignment of our SRI portfolios with the Paris Agreement, and we strengthened our investment strategy to take into account the main negative impacts of the companies in which Palatine AM invests.

In 2022, the management company implemented a coal exclusion policy that was defined in 2021. It applies to all assets held directly by the management company unless specifically requested by its clients. PALATINE AM aims to extract coal by 2030 and plans to adopt a policy of excluding unconventional hydrocarbons.

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## 6. FOLLOW UP ACTIONS

Climate indicators are monitored on an ongoing basis by our management teams. They are published quarterly for all products integrating SRI management.

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## 7. FREQUENCY OF EVALUATION

For the first time we evaluated the alignment of our SRI portfolios with global emission reduction targets as of 31/12/2022. We aim to extend this measure to all of our assets under management and renew it every year so that we can track our progress over time.

## 1. COMPLIANCE WITH THE OBJECTIVES OF THE BIODIVERSITY CONVENTION (1992)

As of 31/12/2022, the management company does not yet have a strategy to reduce its pressure on biodiversity with a numerical target for 2030. Palatine AM's intention is to publish this strategy as soon as possible without harming the thinking needed to determine a strategy that is both ambitious and consistent with existing investment constraints. The objective is to measure the progress of the Management Company's policies on the targets set out in the Biological Diversity Directive adopted on 5 June 1992.

As a reminder, the 3 main objectives defined by this Convention are:

- Biodiversity conservation
- The sustainable use of its components
- The fair and equitable sharing of benefits arising from the exploitation of genetic resources and associated traditional knowledge.

## 2. CONTRIBUTION TO REDUCING MAJOR PRESSURE ON BIODIVERSITY

PALATINE AM is currently unable to measure its contributions to reducing key pressures on biodiversity. However, the management company has set short, medium and long term objectives to gradually better manage and reduce its impact on biodiversity.

The short term objectives are oriented towards the deployment of a system for measuring the impact of Palatine AM's investments on biodiversity of sufficient quality to be able to be used as a management strategy steering tool.

Over a longer time horizon, Palatine AM has set itself the goal of setting targets for reducing its pressure on biodiversity in order to move towards the lowest possible level of pressure.

### SHORT TERM TARGETS

- B. Sign a long term contract with a provider of specialised biodiversity data to measure the alignment of our strategy with international biodiversity pressure reduction objectives.
- B) Develop partnership with a coalition of investors to promote greater transparency on biodiversity indicators and their greater integration into financial decision making processes.
- B. Integrating biodiversity into our internal analysis processes.
- B. Engage 20 companies on the water theme.

## MEDIUM TERM TARGETS

- B. Determine a methodology for integrating biodiversity pressures into investment decisions.
- B. Engage with companies invested to encourage them to improve their practices. The objective is to have more information on companies' exposure to sensitive biodiversity areas, their impacts on biodiversity and the measures they are implementing.
- B. Undertaking awareness raising activities on biodiversity issues with Palatine AM's employees and its customers.
- B) Setting a path of reducing the pressure on biodiversity from our investments.

## LONG TERM GOALS

- B. Invest only in companies with low or neutral pressures on biodiversity or alignment to ambitious biodiversity management strategies.

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### 3. BIODIVERSITY FOOTPRINT MEASUREMENT

Although Palatine AM does not yet have a tool to measure its impact on biodiversity to measure its alignment with international biodiversity pressure reduction targets, an environmental cost of its investments is calculated.

This environmental cost indicates in particular the impact of the companies' activities on biodiversity through the following indicators:

- GHG Emissions
- The use of water
- Waste generation
- Water and soil pollution
- The production of air pollutants
- The use of natural resources

Data related to this cost are provided by Trucost (S & P).





### I. IDENTIFICATION, EVALUATION AND PRIORITISATION OF ESG RISKS

#### I IDENTIFICATION

Recognising the urgency of the climate and the need to reduce the exposure of its assets to various climate risks, Palatine AM has established a responsible investment policy. The goal is to protect its assets from these potential climate risks, but also to help fund a more sustainable company to provide its clients with climate change opportunities.

#### EVALUATION

The ESG risk assessment is done through 2 processes. The ESG rating of the invested securities excludes securities whose ESG rating indicates significant extra financial risk. Monitoring controversies allows the exclusion of securities that have been the subject of major controversies in recent months or are at high risk of controversy.

##### 1- ESG Rating

Palatine AM 's ESG rating methodology is based on data and ratings from the non financial rating agency VIGEO EIRIS, and in addition on an internal analysis for stocks not followed by the rating agency. This now mainly concerns small and mid caps and unlisted companies.

- **Company social policy** : respect for labour law; career and pension management; training schemes; restructuring management; promotion of social dialogue; health and job security; employee share ownership; publication of social indicators; management of subcontractors.
- **Environmental protection** : identification of impacts; existence of environmental reporting including monitoring of procedures and improvements; ISO 14001 certification; eco design of products; impacts related to product and service life cycles; carbon balance; control of energy consumption; local pollution control; control of water and its consumption impacts; exposure to regulations; waste management; life cycle analysis; presence of dedicated teams; protection of biodiversity.
- **Customer supplier relationships** : anti corruption; contract management; product or service safety; product recalls or prohibitions; sustainable relationships and engagement with customers and suppliers; compliance with competition law; quality and reliability image.
- **Company management policy** : composition of Boards of Directors or Supervisory Boards; levels of transparency; control and audit mechanisms; shareholder rights; and capital structure.
- **Relations with civil society** : promotion of the economic and social development of the host country or otherwise; societal impact of goods and services; charitable, humanitarian and health actions.



- **Human rights** : respect for human rights, International Labour Organisation standards; no discrimination, forced labour or child labour.

Changes to the ESG analysis process take place as required. ESG analysis of equities is reviewed on average every 12 months barring force majeure (controversies, news, etc.).

## 2- Controversy monitoring

A company is subject to a major controversy when it is guilty of violating major international conventions on the environment, respect for human rights (child labor, slavery, etc.), business ethics (corruption),...

The degree to which a controversy (an isolated entity or group) and its impact (direct and indirect costs, etc.) on a security 's overall score (which may lead to supervision or partial or total loss of value) depends on the reputational risk and the degree to which it impacts stakeholders, as well as the firm' s attitude to the controversy and its degree of transparency in dealing with it.

In the event of the emergence of a controversy over one of the portfolio's holdings, an update of the ESG analysis is made as soon as possible which could lead to the disinvestment of the value.

### PRIORITISATION

For ESG risk management, climate change related risk has been identified as a priority among ESG risks. Thus, Palatine AM has the desire to align its portfolios on a low carbon trajectory. This alignment involves selecting - within a financial sector or asset class - stocks that have begun to implement increasing decarbonisation efforts, which are required on their industries.

To make itself Palatine AM has put in place an ESG investment policy including several actions directly related to the fight against global warming:

- Exclusion: WFP has decided to complement its commitment to tackling global warming with a strict coal policy. Mining companies that generate more than 20% of their revenues from thermal coal extraction are excluded from the investment universe of WFP funds. Similarly, electric utilities with a electricity production mix of more than 20% coal are excluded from the investment scope. This relative exclusion criterion is supplemented by an absolute exclusion threshold to ensure responsible investment practices. Thus, mining companies whose annual coal production exceeds 10 million tonnes and energy producers whose coal based production represents more than 5GW are excluded.
- The integration of ESG criteria across all of its assets under management is accompanied by awareness raising and training of fund managers on ESG issues.
- A responsible investment policy and the labelling of its funds most advanced in this approach.

A policy of engagement:

- Meeting with companies to engage on ESG issues. The aim is to encourage them to become more transparent on non financial indicators but also to encourage them to improve their performance in these areas for a long term commitment.
  - Voting policy for decisions that promote best environmental, social and governance practices.
- B Internal ESG analysis: Given the diversification and complexity of ESG indicators, Palatine AM has developed an internal ESG scoring methodology based on issues that it considers important. This is the case with companies' monitoring of carbon emissions, their carbon footprint, their share of green energy and their exposure to fossil fuels. In addition, in accordance with the taxonomy requirement, Palatine AM should include this year the monitoring of the virtuous turnover share of companies in its investment decisions. These environmental indicators enable Palatine AM to consider the risks and opportunities associated with climate change.

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## 2. DESCRIPTION OF MAIN RISKS

The management company recognises 3 major climate risk categories:

- Physical climate risks: Uncertain financial risks that result from the effects of climate change on physical assets (changes in medium temperatures and precipitation regimes, increased frequency and severity of extreme weather events, etc.).
- Biodiversity Dependence Risk: Human induced pressures on nature alter habitats and can pose risks to businesses (reduced soil fertility, loss of polliner bees, loss of plant or animal species, etc.)
- Transition risks: Uncertain financial impacts (positive and negative) result from the effects of establishing a low carbon business model: Potential increase in the price of greenhouse gas emissions, increased reporting obligations, regulation of existing products or services, changes in consumer behavior, substitution of existing products and services by less emotive options, unsuccessful investment in new technologies, initial costs of developing new low carbon technologies, changing consumer preferences, stigmatization of a sector, increased negative stakeholder comments...
- Liability risks: The uncertain financial impacts of potential litigation related to contributing to climate change or insufficient consideration of climate risks.

Type of risk	Associated Risk Factors	Characteristics					geographical areas	Economic sectors concerned
		Duration	Exogenous or endogenous	Occurrence	Intensity	Horizon		
Physical risks	Climate change leading to higher insurance costs, higher operating and maintenance costs, damage Or reduced efficiency of physical assets and/or infrastructure, disruption of upstream and downstream supply chains, worker health and productivity impacts, additional operating and investment spending.	Emergent	Exogenous	Continuous (temperature, sea level) and one off (extreme weather events)	Medium and High	Medium Term	Global (All regions of assets invested)	All (covering all economic sectors of invested assets)
Risk of expenditure to biodiversity	Investment choices (zone, sectors, Business), public policy, consumer behaviour, and global warming.	Emergent	Exogenous and endogenous	Continue	High	Long term	Global (All regions of assets invested)	Materials, Industry, consumer staples, food, health, utilities.
Transition risks	Changes in consumer behaviour, stricter regulatory requirements (thermal exit, production) And reporting, rising raw material costs, investing in risk assets, investing inexpensive in new technologies, etc.	Emergent	Exogenous and endogenous	Continue	High	Long term	Europe + + + (consumer behaviour, European regulation) World + (depletion of reserves, international summits,...)	Mainly: Energy, Automotive & Transport, Utilities, Food, Consumer Staples & Retail (plastics, cold), Real Estate, Mining
Litigation or liability risks related to environmental factors	Reputation: Suspicion of greenwashing (NGOs, media) Financial: Increased use of Justice	Current	Exogenous (suspicion Greenwashing) and endogenous (Investment)	Punctual	Medium	Short term	Global (All regions of assets invested)	All (covering all economic sectors of invested assets)

### 3. FREQUENCY OF RISK MANAGEMENT REVIEW

We review our risk management framework annually.

### 4. ESG RISK ACTION PLAN

For each identified sustainability risk, Palatine AM has adequate management policies in place to try to minimise them:



Risk	Palatine AM Action Plan
Physical risk	A measure of the portfolios' exposure to this risk has been put in place to better understand it. Companies' commitment to these issues (water, biodiversity, reduction of emissions, etc.) Investment strategy focused on companies that provide solutions to global warming issues (pollution, scarce resources, emission reduction)
Risk of dependency on biodiversity	Target for short term progress in integrating biodiversity data into our management process
Transition risk	Adoption of a policy of excluding the most risky assets (coal, oil and gas). Investment strategy focused on just transition companies.

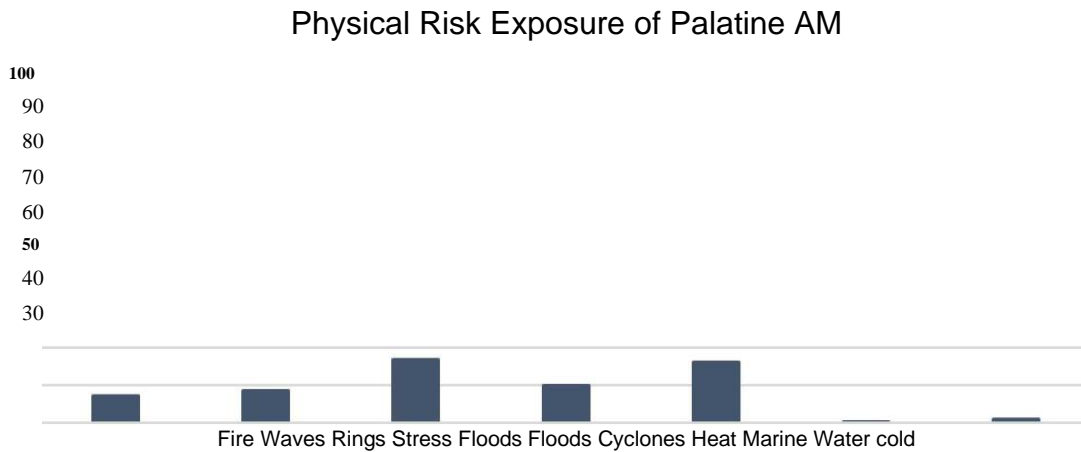
Liability Risk	Transparent approach (adherence to the AFG transparency code)
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	Compliance with regulatory requirements in the most demanding areas of sustainable finance (Europe and France)
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## 5. QUANTITATIVE ESTIMATE OF ESG RISK IMPACT

### PHYSICAL RISK

To measure the exposure of its investments to physical hazards, Palatine AM used the exposure score for fires, extreme heat and cold waves, water stress, floods, sea level rise, or hurricanes provided by Trucost. The exposure scores for 100 of the asset management company's assets for each of these risks are as follows:



The physical risk measurement methodology shown above is based on forward looking data. PALATINE AM has chosen to present the 2050 risks to the most important global warming scenario. Horizon is the majority of liabilities of both corporates and statsdue in 2050. The level of risk was highest because, according to studies by the IPCC, the current rate of warming suggests that the 1.5° C threshold of warming is exceeded between 2021 and 2040.

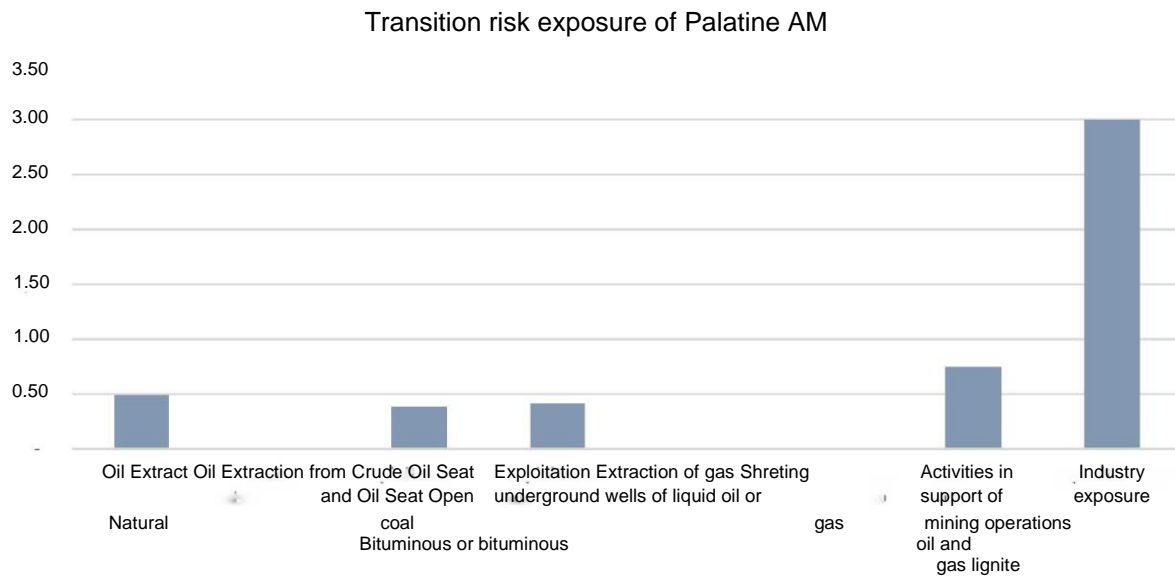
### RISK OF INDEPENDENCE TO BIODIVILITIS

PALATINE AM identified this risk. The company is deploying a method to measure this risk. It will be published as soon as possible.

### TRANSITION RISK

The management company's exposure to transition risks is measured by the percentage of companies weighted by their weight in the portfolio, which has a share of its turnover in one or more of the following sectors: Underground or open cast coal mining, crude oil extraction, natural gas oil, oil sand, or liquid natural gas, drilling of oil or gas wells and any other support activities

Oil & Gas. The percentages of investments exposure to assets most exposed to transition risk are as follows:



#### RISK OF LIABILITY

PALATINE AM integrates ESG criteria into 90% of its products. It therefore bears a risk of liability on almost all assets under management.

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#### 6. METHODOLOGICAL BREAKDOWN

We publish this estimate for the first time in 2022.