Statement on key negative impacts of
investment decisions on sustainability drivers

Market Leader : PALATINE ASSET MANAGEMENT, 9695000QMU1H848E3Q66

Executive Summary

Palatine Asset Management (9695000QMU1H848E3Q66) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Palatine Asset Management.
This statement on principal adverse impacts on sustainability factors covers the reference period from 1rst January to 31th December 2022.

PALATINE Asset Management (9695000QMU1H848E3Q66) considera las principales incidencias adversas de sus decisiones de inversión sobre los factores de sostenibilidad. La presente declaración es la declaración consolidada sobre las principales incidents adversas en los factores de sostenibilidad de Palatine Asset Management.
La presente declaración relativa a las principales incidencias adversas sobre los factores de sostenibilidad Abarca el período de referencia del 1 de enero al 31 de diciembre 2022.

Palatine Asset Management (9695000QMU1H848E3Q66) prend en considération les principales incidences négatives de ses décisions d'investissement sur les facteurs de durabilité. Le présent document est la déclaration consolidée relative aux principales incidences négatives sur les facteurs de durabilité de Palatine Asset Management. La présente déclaration relative aux principales incidences négatives sur les facteurs de durabilité couvre une période de référence allant du 1er janvier 2022 au 31 décembre 2022.

Description of Major Detractors to Sustainability Factors

Indicators applicable to investments in companies

Indicators of negative impact on sustainability	Measuring elements	Implications 2022	Implications 2021	Explanation	Actions taken, planned and targets set for the next reporting period
CLIMATE AND OTHER ENVIRONMENTAL INDICATORS					
1. GHG Emissions	Level 1 GHG Emissions	578,888.27		This calculation shall be made in accordance with the formula defined in this Regulation. It uses the most recent data provided by Trucost or reported by issuers. It is expressed in tCO2e.	PALATINE AM plans to exclude oil and/or gas companies in fiscal year 2023 and to consider more widely the climate footprint of its investments. No reference threshold for the next period has been defined as these metrics are in absolute terms and depend on the evolution of the management company's AUM.
	Level 2 GHG Emissions	79,077.92			
	Level 3 GHG Emissions	4,848,794.12			
	Total GHG Emissions	5,506,760.31			
2. Carbon footprint	Carbon footprint	1,832.30		This calculation shall be made in accordance with the formula defined in this Regulation. It uses the most recent data provided by Trucost. It is expressed in tCO2e/Invested sister.	This first measurement of the carbon footprint of Palatine AM's investments will allow us to better steer this indicator at the level of the management company. The aim is to move towards a gradual reduction year by year.

Statement on key policy implications
Sustainability investment

Greenhouse gas emissions	3. GHG intensity of companies receiving investment	GHG intensity of companies receiving investments	1,584.60	This calculation shall be made in accordance with the formula defined in this Regulation. It uses the most recent data provided by Trucost. It is expressed as tCO2e/Mor of turnover.	This carbon intensity measure will help drive this indicator better at the level of the management company. The goal for the coming years is to increase engagement with companies in portfolios with the highest intensities.
	4. Exposure to companies operating in the fossil fuel sector	Share of investment in companies operating in the fossil fuel sector	7.43%	Companies which derive revenues from the exploration, exploitation, extraction, production, processing, storage, refining, distribution (transport and storage), and trade in fossil fuels within the meaning of Article 2 (62) of Regulation (EU) 2018/1999 of the European Parliament and of the Council are considered.	To reduce this figure in 2023, Palatine AM plans to implement a policy of exclusion of oil and/or gas producers and strengthen its policy of exclusion of coal. The coal exit target is set at 2030.

5. Share of non renewable energy consumption and production	Share of energy consumption and production of investment companies from non renewable energy sources, compared to renewable energy sources, expressed as a percentage of total energy sources	Non renewable energy consumption 54.32% non renewable energy production 2.56		Invested companies on average consume 54.32% of non renewable energy, and the average non renewable energy production of all investments is 2.56%. The source of the data is Trucost.	To improve these ratios, the Management Company has planned to engage companies to encourage them to conclude agreements to supply renewable electricity and direct its finances to low carbon energy producers.

	6. Energy intensity by sector with high climate impact	Energy consumption in GWh per million euros of revenue of investment beneficiaries by sector with high climate impact	NACE A = 0.04 NACE B = 0.36 NACE C = 0.29 Nace D = 75.63 Nace E = 0.95 Nace F = 1.21 Nace G = 0.07 Nace H = 0.63 NACE L = 0.04		This indicator was calculated from Trucost data. It is expressed for each of the most intensive NACE sectors in GWh consumed per million euro of turnover.	This indicator was first calculated in 2022. This analysis will allow monitoring and steering the investment management company's positions in the future.
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments made in companies with sites/establishments located in or near biodiversity sensitive areas, if the activities of these companies have a negative impact on these areas			PALATINE AM currently has no satisfactory data to publish a relevant and misleading number. The coverage and quality of the data obtained seem insufficient to make the result reliable.	During 2023, the management company will focus on collecting more data and improving their quality to publish quantitative data.
Water	8. Water discharges	Tons of water discharges from companies benefiting from investments, per million euros invested, weighted average	0.01		The applied formula uses the same logic as that defined in this Regulation for the measurement of the carbon footprint. It uses data provided by Trucost. It is expressed in T/Mour invested.	The management company wishes to pay particular attention to the water theme as part of its commitment actions in 2023. However, it does not commit to a lower rejection rate than in 2022 in the coming years. The 2022 rate is quite low and comes mainly from companies specialised in wastewater treatment.

| Waste | 9. Ratio of hazardous and radioactive wastes | Tons of hazardous waste and radioactive waste produced by the companies benefiting from investments, per million euros invested, weighted average | 1.12 | | The applied formula uses the same logic as that defined in this Regulation for the measurement of the carbon footprint. It uses data provided by Trucost and is expressed in T/Dm invested. | The ratio is mainly derived from waste management companies. PALATINE AM considers the impact of these companies on the waste value chain to be essential and does not plan to reduce its positions. Commitment actions with these companies will be conducted to try to push them towards better pratqiues, but the focus will be on waste producing companies. |

INDICATORS RELATED TO SOCIAL, PERSONNEL, HUMAN RIGHTS AND ANTI CORRUPTION ISSUES

| | 10. Violations of the principles of the United Nations Global Compact and OECD Guidelines for Multinational Enterprises | Share of investments in companies that have participated in violations of UN Global Compact principles or OECD Guidelines for Multinational Enterprises | 0.29% | | The management company relied on a list of stocks that have experienced repeated critical controversies. The list was drawn up on the basis of Moody's data and supplemented by an internal watch. | The target is to maintain a 0 share. During fiscal year 2022, the company held shares of Anglo American, which experienced a critical controversy during 2022. These short financial securities will not be renewed in 2023. |

Statement on key policy implications
Sustainability investment

Social and personnel issues	11. Lack of compliance processes and mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises	Share of investments in companies that do not have a policy of monitoring compliance with the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises, or a complaint handling mechanism or others. to remedy such violations	0.00%		Companies must be signatories to the UNGC or have established minimum process control policies to ensure compliance with international standards.	Palatine AM gives special importance to respect for human rights. His investment process incorporates this.
	12. Uncorrected gender pay gap	Average unadjusted gender pay gap in investment recipient companies	13.5		This figure corresponds to the average wage gap between men and women expressed as a percentage not adjusted for factors such as degree level or type of position.	This measure is Palatine AM's first to improve its approach in the coming years, selecting companies with best practices but also thanks to its engagement policy.
	13. Gender balance in governance bodies	Average ratio of women to men in the governance bodies of the companies concerned, as a percentage of total membership	38.82		This ratio shows the number of women in governance bodies, out of the total number of members.	For Palatine AM, the score should be between 40% and 60%. New European regulations on the diversity of governance bodies should allow this threshold to be raised to 40% quickly.
	14. Exposure to controversial weapons (anti personnel mines, cluster weapons, chemical weapons or biological weapons)	Investment share in companies involved in the manufacture or sale of controversial weapons	0%		Percentage of companies with controversial weapons.	The management company has a policy of excluding controversial weapons. This indicator stands at 0 in 2022 and is expected to remain so in 2023.

Indicators for investments in sovereign and supranational issuers

Indicator of Negative Impact on Sustainability		Measuring elements	Implications 2022	Implications 2021	Explanation	Actions taken, planned and targets set for the next reporting period
Environment	15. GHG intensity	GHG Intensity of Investment Countries	305.9		The applied formula shall be that defined in this Regulation. It uses Trucost data and is expressed as tCO2e/Mor of GDP.	The management company invests only in countries with ambitious decarbonisation policies. This indicator should therefore fall from year to year.
Social	16. Countries of investment experiencing violations of social norms	Number of investment countries experiencing violations of social norms (in absolute number and in proportion to the total number of countries receiving investment) within the meaning of international treaties and conventions, UN principles or, where appropriate, national law.	0		The number of absolute countries experiencing violations of social norms.	PALATINE AM invests only in OECD countries with best practises in social terms. Investments in countries that had violated international social standards were zero in 2022 and were expected to remain zero in the coming years.

Indicators for investing in real estate assets

Indicator of Negative Impact on Sustainability		Measuring elements	Implications 2022	Implications 2021	Explanation	Actions taken, planned and targets set for the next reporting period
Fossil fuels	17. Exposure to fossil fuels through real estate	Share of investment in real estate assets used in the extraction, storage, transport or production of fossil fuels			PALATINE AM does not invest in real estate assets.	
Energy efficiency	18. Exposure to energy inefficient real estate assets	Share of investment in energy inefficient real estate				

Other indicators of key sustainability detractors

Indicators of negative impact on sustainability		Measuring elements	Implications 2022	Implications 2021	Explanation	Actions taken, planned and targets set for the next reporting period
Issues	II.2. Air pollutant emissions	Tonnes of CO2 equivalents of air pollutants, per million euros invested, weighted average	1.55		The applied formula uses the same logic as that defined in this Regulation for the measurement of the carbon footprint. It uses data provided by Trucost and is expressed as tCO2e/invested sister.	This is the first time that this indicator has been measured across the management company. It is expected to become increasingly integrated into investment strategies in the coming years.
Fight against corruption and acts of corruption	III.15. Lack of anti corruption and anti corruption policy	Share of investment in entities that do not have an anti corruption policy and acts of corruption in line with the UN Convention against Corruption	0.30%		The indicator shows investments in companies with the worst anti corruption practices.	This is the first time that this indicator has been measured across the management company. It is expected to become increasingly integrated into Palatine AM's investment strategies in 2023.

Description of policies to identify and prioritise key negative impacts on sustainability factors

There is no strict hierarchy regarding the main negative impacts within Palatine AM. All the themes covered by the indicators presented in this report are taken into account. However, depending on the sectors concerned, some indicators may be given predominant importance.
This policy was validated at the end of 2022 by the Chief Executive, the Director of Management, the SRI fund managers, the ESG team and the RCCI. The objective of the project is to identify and prioritise major negative impacts. The Portfolio Managers are responsible for implementation and the ESG team supports the implementation of the policy and ensures that the investments comply with the policy. The Director of Management is responsible for defining the future directions of this policy in particular according to the

evolution of the regulations. Finally, the RCCI and the control team are responsible for deploying and updating the appropriate control processes.

It was decided that the two additional negative impacts would be on the Environmental Indicator emissions of air pollutants (air pollution is a major issue in terms of both pollution and public health. This indicator makes it possible to exclude in particular the aviation sector, which is highly controversial because of its climate impact, and not aligned with the Paris Agreement.) and on the social level, the indicator on the lack of anti corruption policy and acts of corruption (central to the success of SDGs in particular SDG 16, which calls for the international community to put in place effective, accountable and inclusive institutions).

PALATINE AM uses Moody's, EthiFinance, Humpact and Trucost data to measure the management company's key detractors. This data is supplemented with commitment actions. Today it is not always easy to find reliable and relevant information for calculating an indicator. The indicator with which the greatest difficulty has been met is the one on biodiversity. PALATINE AM does not yet have sufficient information to disclose the percentage of its investments in companies with activities in sensitive biodiversity areas. Reflection is under way to overcome this lack.

Engagement Policies

The engagement strategy is detailed in Palatine AM's shareholder engagement policy which is available at https://www.palatine-am.com/menu-des-liens- It has 3 main areas of activity: Engagement through dialogue, collaborative engagement and engagement through the exercise of voting rights.

1/Palatine AM's dialogue is aimed at reaching 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 include companies not yet present in Palatine AM's portfolios when their financial results are attractive but ESG performance is not fully aligned with Palatine AM's SRI approach. Through this commitment, Palatine AM wishes to encourage companies to move towards a process of progress.

2/Palatine AM's collaborative commitment is now focused on the social aspect, as the management company believes that the social pillar is lagging behind the environment and governance. The management company has been involved since 2022 with ShareAction NGOs through the *Working Disclosure Initiative* 3/The commitment through the exercise of voting rights: PALATINE AM is based on the proxy advisor ISS Governance for:

- Les companies in the CAC40 index,
- Lthe companies making up the assets of SRI rated UCIs,
- T he French companies whose consolidated holding threshold is greater than 0.50% of market capitalisation
- Lany foreign companies held with a market capitalisation in excess of €100M.

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

These axes of engagement have been based on the themes covered by the main negative impacts since 2022. The dialogue with companies was held in 2022 on the following issues: Carbon emissions, alignment trajectory with the Paris Agreement, diversity, biodiversity, compensation, transparency, etc. In 2023, it should continue to be enriched to better cover topics such as water.

Collaborative engagement is focused on the social aspect, one of the themes of major negative impacts, and should be extended to environmental issues during 2023. Engagement actions are real tools for steering the management company's SRI strategy.

A company whose responses to engagement dialogue are too far removed from the requirements of the asset management company may be discarded.

References to international standards

Fund Manager Palatine AM adheres to the Code of Conduct on Responsible Business Behaviour and internationally recognised standards for due diligence and reporting. As a French asset manager, it complies with one of the most demanding regulations. It has adhered to the AFG transparency code since 2008 to demonstrate its commitment to adhere to the highest standards.

Historical Comparison

The company measured its negative impact for the first time in 2022. An initial comparison will be made with the publication of the 2023 report.