



REGULATORY FRAMEWORK

In accordance with Article 2 (17) of the Sustainable Finance Disclosure Regulation (SFDR), which entered into force on 10 March 2021, Palatine Asset Management has established a definition of sustainable investment.

Thus is considered a sustainable investment:

‘An investment in an economic activity that contributes to the achievement of an environmental objective or an investment in an activity that contributes to a social objective or an investment in human capital, provided that these investments do not significantly damage one of these objectives and that the recipient companies follow good governance practices, including risk management.’

SCOPE OF APPLICATION

This definition applies to:

- Funds with a sustainable investment objective (Art 9 according to SFDR).
- Funds promoting environmental or social characteristics (Article 8 according to SFDR).

All assets are subject to the sustainability assessment according to the methodology described in this document, with the exception of cash and quasi cash (money market funds).

DEFINITION OF A SUSTAINABLE INVESTMENT AT PALATINE AM

An issuer is considered a sustainable investment

- . Having an environmental or social objective that contributes positively to at least one of the 17 UN Sustainable Development Goals (SDGs) with a threshold of ≥ 0 (source Moody's ESG).
- . DNSH ‘Do Not Significant Harm ’

- Exclusion of companies with the most negative quantitative
- Exclusion of 10% of the most GHG emitting companies (ex PAI 1)
- Exclusion of companies whose prevention policies do not comply with the rules set by Palatine AM
- Exclusion of companies that are not signatories to the Global Compact and/or do not have a strong compliance policy to the UN Principles and OECD Principles (Ex PAI 10).

3.

	Metrics		Exclusionary screening	Qualitative check	Quantitative check
GHG emissions	PAI 1 - GHG emissions	Scope 1	Exclusion of companies whose turnover is more than 20% linked to thermal coal or producing more than 5Gwh of coal-based electricity or extracting more than 10MT of thermal coal	Verification of commitments to reduce carbon emissions (reduction trajectories, SBTi commitment, CDP, etc.)	Exclusion of the 10% biggest polluters in the universe
		Scope 2			
		Scope 3			
		Total			
	PAI 2 - Carbon footprint				Exclusion of the 10% biggest polluters in the universe
	PAI 3 - Carbon intensity				Exclusion of the 10% biggest polluters in the universe
	PAI 4 - Fossil fuel exposition				Exclusion of all companies whose turnover is more than 50% linked to fossil fuels
PAI 5 - Consumption and production of non renewable energy	Production		Exclusion of companies where more than 50% of the electricity produced comes from non-renewable sources		
	Consumption		Exclusion of companies without commitment to green electricity consumption		
PAI 6 - Investment in high climate impact sectors			Exclusion of 10% of the most polluting values from sectors with a high climate impact		
Biodiversity	PAI 7 - Investment in high biodiversity impact sectors		Check of biodiversity preservation policies	Exclusion of companies whose activity generates the 10% greatest environmental costs	
Water	PAI 8 - Water pollution in T/Mneur		Check of water management policies	Exclusion of companies whose activity generates the 3% greatest quantity of discharge into water	
Waste	PAI 9 - Hazardous waste in T/Mn€		Check of waste management policies	Exclusion of companies whose activity generates more than the universe average quantity of hazardous waste.	
Social safeguards	PAI 10 - Investment in companies violating international standards		Check of the frequency and materiality of controversies		
	PAI 11 - Investment in companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises		Check of the internal control policy	Verification of the signature of the United Nations Global Compact	
	PAI 12 - Average unadjusted gender pay gap of investee companies			Exclusion of companies with the 10% largest differences	
	PAI 13 - women at board expressed as a percentage of all board members			Exclusion of companies with the 10% lowest ratio	
PAI 14 - Investment in controversial weapon		Controversial weapon exclusion			
Additional PAI from table 2 - Environmental	PAI II.2 - Emissions of air pollutants		Check of the materiality of the indicator for the sector	Exclusion of companies with the 3% highest levels of air pollutants	
Additional PAI from table 3 - Social	PAI III.15 - Lack of anti-corruption and anti-bribery policies			Verification of the existence of an anti-corruption policy	

Verifying good governance practices :

- Excludes stocks with a governance pillar rating below 5/20 (Moody's ESG Solution rating).