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2019/2088



PALATINE PLANETE
PALATINE AM | JANVIER 2023

Without a sustainable investment objective

This financial product promotes environmental or social characteristics, but is not aimed at sustainable investment.

However, it is committed to making a significant portion of sustainable investments that contribute to an environmental investment objective. This sustainable investment share will represent at least 75% of the fund's assets, of which at least 1% will be aligned with the European Union taxonomy. The goal of this share of sustainable investment is to invest in companies that provide solutions to combat global warming, pollution and scarce resources.

Sustainable investments will not cause significant harm through the major negative impacts and will follow the OECD Guidelines for Multinational Enterprises and the UN Guidelines on Business and Human Rights.

1. Consideration of IPOs

In addition to respecting Palatine A.M.'s coal policy, a DNSH measure of sustainable investments is being carried out. It is based on the 14 mandatory PAAs defined in Table 1 of Annex 1 of the Delegated Regulation 2022/1288 of the European Commission of 6 April 2022. It is complemented by the measurement and steering of 2 optional indicators: Emissions of air pollutants (PAI II.2) and the lack of a policy to combat corruption and acts of corruption (PAI III.15).

The ACPs are apprehended at 2 levels:

1/a quantitative filter is first applied. Its aim is to exclude companies with the largest negative impacts.

2/The qualitative analysis must then ensure that the companies invested have put in place sustainable practices within their business and that they do not significantly harm an environmental or social objective.

Details of their inclusion methodology are available on our website: [definition de l'investissement durable Janvier 2023.pdf \(palatine-am.com\)](#)

2. Verification of adherence to key international principles

In addition to the consideration of the ACPs, the sustainable investments in this product are subject to in depth checks on respect for human rights. In particular, they take into account OECD guidelines and UN principles through the steering of the variables described below:

- Controversy management: A monitoring of controversies has been implemented as well as corrective measures if necessary. In addition, with the PAI 10, companies that have already been the subject of repeated numbers and of a serious nature of controversies are excluded.
- Assessing the compliance of the processes of companies invested according to these principles: The fund ensures that a large part of the companies in which it invests are signatories to the UN Global Compact and, if not, that they have minimum internal control measures to ensure compliance with these principles.
- Evaluation of anti corruption policies: The fund ensures that all companies in which it invests have minimum anti corruption measures in place.
- ESG Rating: Palatine AM's ESG rating covers many themes directly related to these principles. In particular, it assesses corporate practices with respect to business ethics or respect for human rights. This ESG rating is a binding investment filter.

Environmental or social characteristics of the financial product

This product promotes environmental characteristics. To do this, he seeks to invest in companies that provide solutions to the fight against global warming, pollution and scarce resources. Thus its investment strategy focuses on themes directly related to the environment, it aims to invest in the 5 areas of activity:

- Sustainable mobility
- Energy Efficiency
- Renewable energy
- Health and Welfare
- Water and waste management

In measuring its promotion of environmental characteristics, the financial product is based on the following metrics:

- ESG rating: It includes an environmental dimension, including the identification of the impacts of company activities on the environment, the analysis of environmental reports taking into account the monitoring of procedures and improvements, the verification of the existence of ISO 14001 certification, eco design devices, the analysis of the impacts related to the life cycles of products and services, the study of the carbon balance, the monitoring of energy consumption, local pollution, water impacts and its consumption, waste management, and the protection of biodiversity.
- Climate risk measurement:
 - **Physical Risk:** The exposure of physical assets held by the company to the effects of climate change.
 - **Transition Risk:** A company's assets are exposed to the energy transition and the risk of having assets that have been stranded as a result of the transition.
- Monitoring and steering of environmental indicators:
 - Carbon footprint (PAI 2)
 - Carbon intensity (PAI 3)
 - Fossil fuel exposure (IPoA 4)
- A measure of the contribution of companies held in SDGs related to the fund's investment themes, including several SDGs related to the environment:
 - SDG 3: Good health and being good
 - SDGs 6: Clean water and sanitation
 - SDG 7: Clean and affordable energy
 - SDG 9: Industry, Innovation and Infrastructure
 - SDGs 11: Sustainable cities and communities
 - SDG 13: Measures to combat climate change

Investment Strategy

1. Investment strategy used to promote environmental or social characteristics

The financial product implements a financial strategy that focuses on investing in equities of all market capitalisations, including European companies, and which also takes into account extra financial criteria. PALATINE Planète will partially contribute to an environmental investment objective. The UCI aims to enable the holders to achieve performance of their investments, over the recommended duration, through discretionary management oriented towards companies whose activity is linked to the environment and particularly those which contribute to the fight against global warming, pollution and scarcity of resources

Mandatory elements of the extra financial approach for selecting investments are as follows:

1. Sector and normative exclusions filter:
 - Exclusions of all companies that seriously and/or repeatedly breach one or more of the 10 UN Global Compact Principles on Human Rights, Labour Standards and Anti Corruption.
 - Exclusion of companies involved in controversial arms production within the meaning of the Ottawa and Oslo conventions or the so called SFDR regulation. Any direct investment in companies that manufacture, sell, store and transfer cluster munitions, anti personnel mines or chemical weapons is excluded without a minimum turnover threshold.
 - Thermal Charb - Excluding stocks that do not comply with Palatine AM's coal policy. Since then, it has been forbidden to invest in companies that develop new coal projects or whose activities are highly exposed to coal. This coal strategy has been deployed for the entire management, it excludes mining companies and electricity producers of which more than 20% of turnover is linked to thermal coal. Additionally, mining companies extracting more than 10 MT of thermal coal and electricity producers with more than 5GWh produced from thermal coal are also excluded.
2. Thematic filter: The investment universe is then reduced to include only companies that have a significant portion of their business in one or more of the following 5 themes:
 - Renewable energy
 - Energy efficiency
 - Health, Nutrition and Health Certification
 - Sustainable Mobility
 - Water and waste management
3. ESG rating filter: The weighted average ESG rating of the portfolio should be greater than or equal to that of their investment universe. This investment universe excludes stocks whose activity is not significantly linked to one of the investment themes and 20% of the worst ratings.
4. Positive contribution to SDGs 9 and 13: Stock selection should allow the portfolio to continue to make a positive contribution to SDGs 9 and 13.

2. Policy for evaluating good governance practises

The policy used to assess companies' good governance practises is based on the following criteria:

- Issuers in the portfolios must have good governance practices to ensure the sustainability and growth of the company

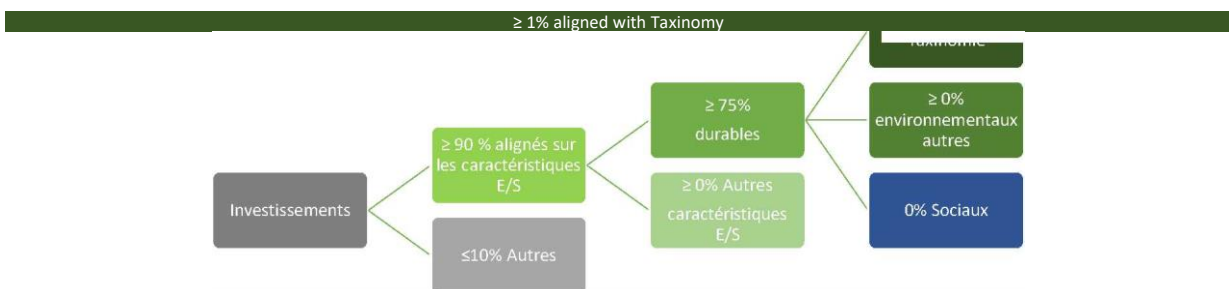
- The importance of managers' ability to report on their management to different stakeholders
- Fair treatment of all shareholders (the barriers to active participation in general meetings are to be reduced and imbalances between capital structure and voting rights structure to be avoided).
- Recommended Board Structure:
 - Executive Board and Supervisory Board
 - a high proportion of independent directors and a separate Chairman of the Chief Executive Officer,
 - to set up a number of committees on the Board of Directors, including the Audit of Accounts, Remuneration and Management Appointment
 - to promote a high degree of transparency: Remuneration of corporate officers and executives, as well as the independence of the Board of Directors.
- Controversies are monitored by Moody's ESG Solutions and our internal SRI team: A controversy is defined as the questioning of a company by its stakeholders (employees, trade unions, NGOs, regulators, customers, shareholders, etc.). Controversies are a measure of the company's exposure to negative news (trials, strikes, NGO campaigns, etc.), taking into account the impact of these news on the company itself and its stakeholders, with a view to materiality.

The global ESG score from Moody's ESG Solutions includes an event related to the company's exposure to ESG controversies, penalising it more or less depending on the themes affected.

In the event that the controversy is identified by our internal SRI team, the rating can also be reviewed according to the materiality of the subject.

Proportion of investments

The proportion of sustainable investment of this product will be at least 75% of the net assets of which at least 1% must be aligned with the taxonomy. Investments designated as durables are made directly within the beneficiary entities.



Monitoring of environmental or social characteristics

Compliance checks are regularly performed by the portfolio managers, the ESG team and the internal control team. The objective of these checks is to ensure that the investments made are in line with the fund's SRI investment policy.

Key control points are:

- ESG filter coverage: SRI investment rules must cover all invested assets (excluding cash and quasi cash).

- Sufficient exclusion: The SRI investment rules must allow a minimum exclusion of 20% from the initial investment universe.
- Respect for exclusion policies:
 - No societies shall have seriously and repeatedly contravened one or more of the 10 principles of the United Nations Global Compact
 - No society should be involved in controversial weapons as defined in the Oslo and Ottawa conventions or in the SFDR.
 - No company must exceed Palatine AM's coal strategy exclusion thresholds.
- Respect of SRI investment rules:
 - Each invested company must have an ESG rating
 - Each invested company must have an ESG rating above the threshold to reach an exclusion of at least 20% from the universe. The update of this threshold rating is made quarterly by the internal SRI team.
 - The average ESG rating of the portfolio must be higher than that of the fund's investable universe.
 - The average contribution of the Fund to the SDGs 9 and 13 as defined by the UN must be greater than that of the Investment Product Universe.
- Respect for the sustainable investment share within the meaning of the SFDR:
 - The financial product must have a minimum of 75% of environmentally sustainable investments, of which at least 1% must be aligned with the EU taxonomy.
 - All investments qualified as durables must have a governance rating of at least 5/20
 - All investments qualified as durables must demonstrate that their principal adverse effects are not significant or insignificant
 - All investments designated as sustainable assets must contribute positively to SDG 9 and 13 as defined by the UN.

These checkpoints are then carried out at different levels of the investment process, pre trade, before investment and post trade, after investment. They are done at different levels of authority, by the operational staff (the managers and the SRI team), by the head of management and then by the internal control team.

For pre trade checks, they are performed by the portfolio managers who must ensure that the proposed issuer corresponds to the portfolio universe and that it is rated ESG. Since early 2022, ESG ratings have been incorporated into TRACKER the company's PMS (Portfolio Management System) to improve the management process. These pre trade checks are not formalized specifically.

Top level post trade checks are carried out by the SRI analysis team, which carries out a quarterly extraction of the fund's inventories to ensure that they meet the rules defined as being selective within its universe. In addition, the roster checks for adequate coverage for ESG ratings and other SRI related criteria.

2th level controls are performed annually by the RCCI. An ESG ISR control sheet is formalized on this occasion. It covers the various components monitored.

Methods

Several sustainability indicators are used for financial product measurement:

1. **Contribution to SDGs:** the Fund's contribution to SDGs is measured using Moody's ESG Solutions database. This database provides for each of these SDGs:

1.1. A contribution level that varies on a scale from -1 to +1 depending on the percentage of SDG related products in the company's revenues. Negative contribution reflects the company's exposure to controversial SDG related activities (coal, intensive agriculture, high interest rate loans, etc.)

1.2. And a quality rating of company actions that considers all company actions in terms of E, S, and G weighted by the importance of these pillars for each SDG. The score for SDG contribution stocks varies from -1 to +1, and can be negative when there is significant controversy.

An average score of 2 indicates an increase in the contribution and the quality rating of the actions carried out. The contribution score thus obtained is measured on a scale from -1 to +1.

2. **ESG rating :** adherence to the fund's sustainable investment objective is also measured by the ESG rating. It is based on 6 criteria:

2.1. Company social policy: Respect for labour law, career and pension management, training plans, restructuring management, promotion of social dialogue, health and job security, employee share ownership, publication of social indicators, management of subcontractors.

2.2. 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 the life cycles of products and services, carbon balance, control of energy consumption, control of local pollution, control of water and its consumption impacts, exposure to regulations, waste management, analysis of the life cycle, presence of dedicated teams, protection of biodiversity.

2.3. Business ethics: Anti corruption, contract management, product or service safety, product recalls or prohibitions, sustainable relations and commitment to customers and suppliers, compliance with competition law, quality image and reliability.

2.4. Corporate governance: Composition of boards of directors or supervisory boards, levels of transparency, control and audit mechanisms, shareholders' rights, capital structure.

2.5. Relations with civil society: Promotion of the economic and social development of the host country or others, the societal impact of products and services, charitable, humanitarian and health actions.

2.6. Respect for human rights: Respect for human rights, International Labour Organisation standards, no discrimination, forced labour or children.

Sources and data processing

The ESG assessment of issuers is made using internal and external means.

Palatine Asset Management's ESG investment management and analysis teams rely on non financial databases, such as Moody's ESG Solutions for large caps and Ethifinance for mid and small caps, Trucost (S & P Global), environmental data (carbon, climate risk, etc.) and Humpact, social data (employment related indicators, social policy analysis, etc.).

The ESG analysis also uses the research of brokers specialized in ESG issues and themes (such as Goldman Sachs, Société Générale, Exane, Oddo...).

Finally, proprietary ESG assessments are conducted by Palatine Asset Management's analyst team to supplement the rating agency coverage using a proprietary methodology. Engagement research and

actions may be undertaken to complement ESG analysis where necessary.

We favour the use of data based on our analysis and calculations. However, some data is not available and our data providers create models to make estimated data available. At this stage, our data related to IAPs can be partially estimated, but our data on the European Union's green taxonomy are those reported by the companies themselves.

Methods and data limits

PALATINE AM recognises that there are methodological limitations that may arise mainly from the quality and availability of ESG data, supplied by either extrafinancial rating companies or directly from companies, used in its ESG strategies.

Similarly, for example, the lack of clear and common rules for setting thresholds and criteria for a significant negative impact renders the comparability of results difficult.

However, Palatine AM implements the necessary mechanisms to minimise these limits.

Extra financial analysis is based on several ESG data providers. The evaluations of data providers are validated by the expertise of internal analysts, and enriched by an internal monitoring of controversies that are difficult to anticipate.

WFP's accountable approach is transparent and continuously improving.

Due diligence

This financial product carries out its due diligence process through its SRI investment strategy. All assets, excluding liquidity and quasi liquidity, are subject to an ESG evaluation. Stock selection is made among the top ESG performers.

The product is committed to making 75% of its investments in sustainable values, for which the management company measures the negative impacts of the activities, both social and environmental.

In addition, the fund is audited annually as part of the independent audit process by a third party according to the requirements of the SRI label. The company currently in charge of this audit is EY.

Engagement policy

Palatine AM's engagement policy is detailed on its website. It is available at : [Regulation - Palatine Asset Management \(palatine-am.com\)](https://www.palatine-am.com/Regulation-Palatine-Asset-Management)

Designated benchmark

The Palatine Planète fund does not have a benchmark to measure its promotion of environmental or social characteristics.