

POLICY and DECLARATION

Consideration of negative sustainability impacts

Reference period: 31
December 2022

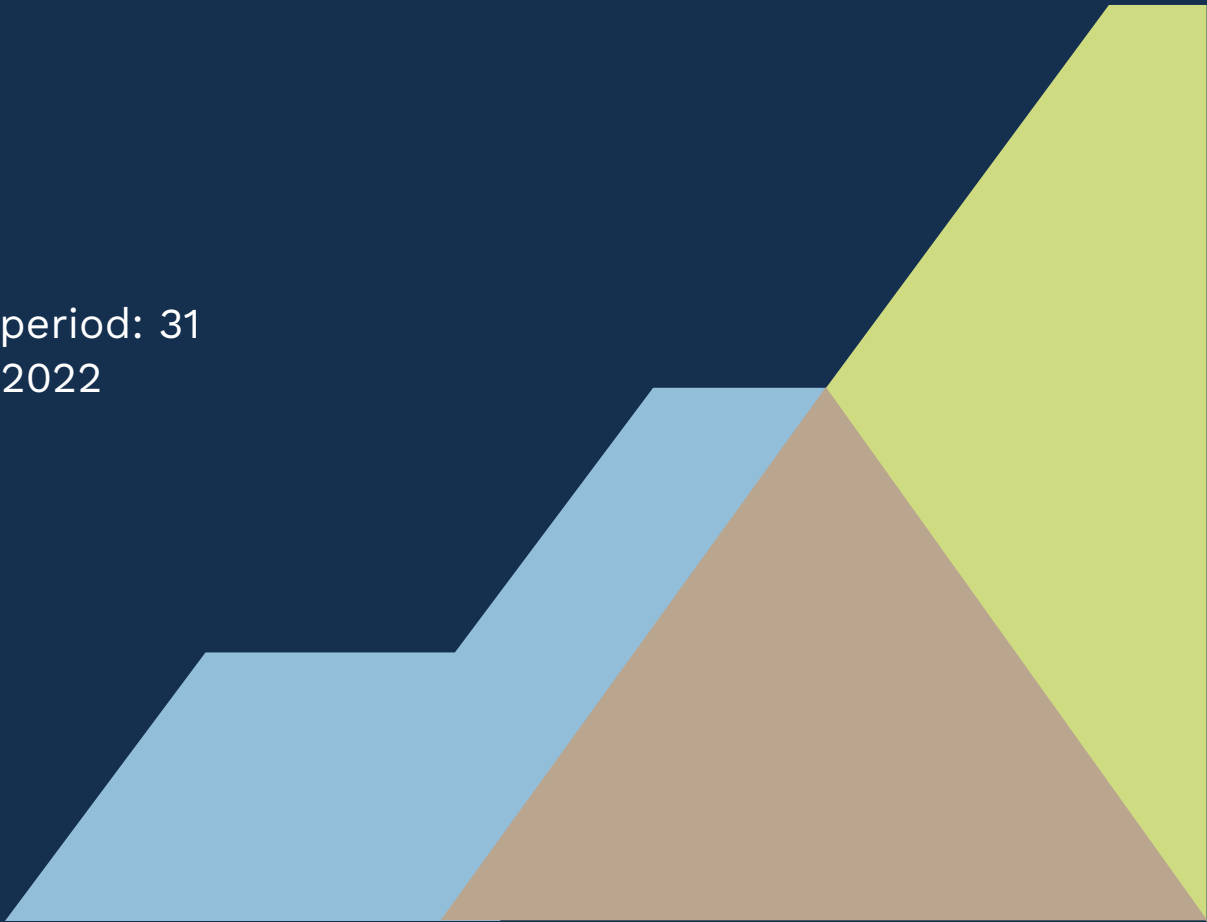


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1. Summary

The European Regulation (EU) 2019/2088, known as Sustainable Finance Disclosure Regulation (SFDR), deals with sustainability-related disclosure in the financial services sector. It introduces new rules on the disclosure of information on sustainable investments and sustainability risks.

The purpose of this document is to set out how Omnes Capital takes into account the Principal Adverse Impacts (PAI) of its investment decisions on sustainability factors.

The principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors related to environmental, social, labour, human rights and anti-corruption issues.

The first consolidated statement of principal adverse impacts is expected to cover the period from 1 January 2023 to 31 December 2023 for Omnes' Article 9 funds. As at 31 December 2022, Omnes' Article 9 funds had too little assets in portfolio to be able to publish meaningful principal adverse impact indicators at the level of the management company, and the capacity of the underlying assets to provide data was not yet optimal.

2. Description of the principal adverse impacts on sustainability

Environmental, social or governance issues can have negative impacts on the value of our investments. As described in the Omnes ESG Commitments available on our website, we integrate ESG risks at every stage of the investment process, from investment to disposal.

In this context, Omnes has developed a framework for integrating sustainability risks into investment decisions based on:

1) The implementation of an exclusion policy per fund managed

Omnes relies in particular on an exclusion policy to mitigate the principal adverse impacts within its portfolio companies related to the performance of certain activities or the use of certain energy sources. Investment restrictions are specified in the legal documentation of each fund. The assets of the funds managed by Omnes are not directed towards companies whose main activity is in one of the following sectors:

- (i) production, trade or services related to the reproductive cloning of human beings;
- (ii) tobacco production;
- (iii) the manufacture and sale of military weapons and ammunition;
- (iv) the manufacture of anti-personnel mines and/or cluster bombs and the manufacture of key components for the assembly and operation of such weapons;
- (v) gambling and casinos;
- (vi) pornography;
- (vii) electricity production from coal, oil and gas;
- (viii) extraction of conventional oil and gas; or
- (ix) extraction of thermal coal and unconventional oil and gas.

Compliance with these restrictions is checked before each investment of the managed funds.

2) Implementation of specific due diligence and a scoring grid

Omnes has implemented a scoring policy for certain portfolio companies from 2019. In 2021, this scoring mechanism was extended to all the funds' portfolio companies.

Omnes implements this process in two steps:

1st step: Every year, each portfolio company fills in a questionnaire that provides feedback to Omnes on various criteria: electricity consumption, male/female ratio in management bodies, implementation of employee profit-sharing plans, and so on.

2nd step: Omnes' fund managers complete a rating grid for each portfolio company based on 14 criteria plus a weighting mechanism adapted to the business sector and maturity level of the portfolio company (the weighting mechanisms are set by investment strategy and not by portfolio company).

This system of collecting information from the companies financed each year makes it possible to set up an annual monitoring of their progress on ESG criteria and enables the investment teams to limit the margins of error linked to self-assessment.

The ESG rating grid for Omnes portfolio companies is based on the 15 principal adverse impact indicators defined by the SFDR regulation.

Nevertheless, within the framework of its energy transition investment activity, Omnes has identified 3 main negative impacts (PAI) on the sustainability factors on which we seek as a priority to focus our efforts and our means to deploy our approach of responsible investment:

- Greenhouse gas emissions and intensity, scopes 1 and 2 (PAI 1 & 3)
- Protecting and respecting biodiversity (PAI 7)
- Indicators relating to social aspects, employees, respect for human rights and anti-corruption issues (PAI 10)

The consideration of negative impacts in investment decisions applies to all of Omnes Capital's Article 9 financial products.

3. Description of policies to identify and prioritise the principal negative sustainability impacts

Omnes has implemented the following policies:

- Omnes ESG policy, June 2023;
- Policy for taking into account sustainability risks, June 2021;
- ESG investment policy, 2019;
- Policy on the consideration of negative sustainability impacts, June 2023;
- Exclusion policy within fund regulations (these exclusion policies are specific to each fund managed and are described in the funds' legal documentation).

The policies and their updates are distributed to all Omnes employees. Senior members of the management teams are responsible for applying these policies throughout the investment process.

Each investment team identifies and prioritises the principal adverse sustainability impacts according to the portfolio holdings and future investments envisaged. The indicators needed to monitor the principal adverse sustainability impacts are selected based on the following criteria:

- Ability of management teams to retrieve, analyse and merge information across the entire portfolio
- Suitability of selected indicators in relation to the size and age of the portfolio companies
- Suitability of indicators in relation to the business sectors and geographical location of the portfolio companies.

Omnes does not invest its assets in heavy industry or commodity extraction.

Many investments are made in service companies (IT, commerce, etc.), in the research sector (biotechnology, medtech, deep tech), in the renewable energy sector (wind and solar farms, repowering, etc.) and in sustainable city infrastructure.

Omnes invests residually outside the European Union, thus limiting the risks of non-compliance with OECD guidelines in terms of labour law, non-respect of human rights, or investment in countries that are not environmentally aware (discharge of toxic products, non-treatment of wastewater, etc.).

Priority order of indicators considered and monitored:

- CO2 emissions
- Clean energy consumption relative to total energy consumption
- Energy consumption of real estate assets (for Sustainable City funds)

The information used by Omnes comes directly from its portfolio companies. It is transmitted annually on a declarative basis through a SaaS platform dedicated to the monitoring of ESG indicators. Omnes makes every effort to obtain high-quality, usable data and checks the data obtained internally.

4. Engagement policies

The methods for integrating ESG values are described in several internal policies and procedures, in particular the Procedure for integrating ESG issues into the investment, management and disposal process of a portfolio company and the investment and divestment procedure.

In compliance with this procedure, Omnes carries out due diligence at the time of the initial investment to identify areas for improvement on ESG issues. After the investment, Omnes suggests that the company commit to an action plan to help it improve its environmental, social and governance practices, reduce the potential negative impacts of its activity and make it more efficient.

All these elements are explained in Omnes' shareholder engagement policy.

The exercise of voting rights within the corporate bodies of the companies financed is guided by financial, strategic and ESG considerations, including monitoring compliance with the improvement plans defined by Omnes at the time of the initial investment.

Omnes does not impose results on the companies financed, their operational management remains in the hands of their managers. That said, Omnes continues to do its best efforts to ensure that social and environmental transition measures are put in place that, over time, are financially profitable and respectful of stakeholders and the environment.

For companies listed on financial markets, Omnes undertakes to vote above the threshold of 5% of voting rights or capital held. Below this threshold, the exercise of voting rights is possible but not mandatory.

5. Adherence to international standards

Omnes is a signatory to the following initiatives:

UNPRI;
France Invest's ESG Engagement Charter;
France Invest's Gender Equality Charter;
International Climate Initiative (iCi);
France Invest Level 20 Committee.

Moreover, on behalf of certain investors in the funds under management, Omnes has undertaken to make its best efforts to comply with other commitments, in particular those resulting from the Net Zero Asset Managers Initiative, which has 273 signatories.

The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or earlier, in line with global efforts to limit warming to 1.5 degrees Celsius, and to supporting investments aligned with the goal of net zero emissions by 2050 or earlier.