

TOBAM PRINCIPAL ADVERSE IMPACT STATEMENT

Financial market participant: TOBAM

Legal entity identifier: 969500QH54F8VCVPRW15

1. SUMMARY

TOBAM SAS considers principal adverse impacts of its investment decisions on sustainability factors as part of its integrated investment process.

The reference reporting period relates from 1/1/22 to 31/12/22, which is the first reference period.

**2. DESCRIPTION OF PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS
ON SUSTAINABILITY FACTORS**

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	26.43			Most of TOBAM's strategies are committed to reduce the GHG intensity (scope 1 and 2) by 20% compared to their benchmark benchmark.
		Scope 2 GHG emissions	15.40			Most of TOBAM's strategies are committed to reduce the GHG intensity (scope 1 and 2) by 20% compared to their benchmark benchmark.
		Scope 3 GHG emissions	376.70			Most of TOBAM's strategies are committed to reduce the GHG intensity (scope 1 and 2) by 20% compared to their benchmark benchmark.Scope 3 data are not as accurately reported yet, but we are closely monitoring them.
		Total GHG emissions	418.52			Most of TOBAM's strategies are committed to reduce the GHG intensity (scope 1 and 2) by 20% compared to their benchmark benchmark.Scope 3 data are not as accurately reported yet, but we are closely monitoring them.
	2. Carbon footprint	Carbon footprint	423.18			Most of TOBAM's strategies are committed to reduce the GHG intensity (scope 1 and 2) by 20% compared to their benchmark benchmark.Scope 3 data are not as accurately reported yet, but we are closely monitoring them.
	3. GHG intensity of investee companies	GHG intensity of investee companies	1,136.35			Most of TOBAM's strategies are committed to reduce the GHG intensity (scope 1 and 2) by 20% compared to their benchmark benchmark.. This indicator is closely monitored even though this indicator encloses scope 1, 2 and 3
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	6.14%			Some strategies at TOBAM are excluding fossil fuels and in this case, this PAI should always be at 0%. However due to the difference in definition, it happens that sometimes one or two stocks identified as involved in the fossil fuel distribution by ISS are invested by TOBAM.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-	Non-renewable energy consumption: 86.47% Non-renewable energy production: 0.95%		This ISS ESG factor encompasses energy consumption from non-renewable energy sources, excluding natural gas; any energy use figures where the source of energy is unclear	These indicators are closely monitored in comparison to the benchmark.

		renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources			is also included in this factor. Coverage of the energy consumption indicator is very low, making the analysis of the information less accurate.	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	<ul style="list-style-type: none"> - Agriculture, Forestry, and Fishing: 0.2216 - Mining and Quarrying: 0.7123 - Manufacturing: 0.7879 - Electricity, Gas, Steam and Air Conditioning Supply: 2.1485 - Water Supply, Sewerage, Waste Management and Remediation Activities: 0.3656 - Construction: 0.0563 - Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles: 0.0746 - Transportation and Storage: 1.9063 - Real Estate Activities: 0.1773 No Data = 65% 			These indicators are closely monitored. Companies that would appear as outlier in any of the sector, will be investigated and engaged with.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.02%		ISS ESG links controversies to some, but not all, of the standards referenced in the PAI definition of 'activities negatively affecting biodiversity-sensitive areas'. However, the standards/directives referenced in the regulation overlap with those applied in the proxy to a large extent.	This criteria is closely monitored.. Companies identified as negatively impacting this criteria will be investigated and engaged with.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.45		The PAI indicator refers to various types of emissions to water. ISS ESG collects chemical oxygen demand (COD), a commonly used indicator measuring emissions to water which can serve as a proxy to the PAI indicator's requirements. ISS ESG collects data only for companies in most relevant industries. Coverage of the energy consumption indicator is very low, making the analysis of the information less accurate.	This criteria is closely monitored. Companies identified as negatively impacting this criteria will be investigated and engaged with.

Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	1,814.48		ISS ESG collects company reported hazardous waste, relying on companies' own definitions, which may differ from the definition adopted in the regulation. Radioactive waste may or may not be included as a sub-sector of hazardous waste. Coverage of the energy consumption indicator is very low, making the analysis of the information less accurate.	This criteria is closely monitored. Companies identified as negatively impacting this criteria will be investigated and engaged with.
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INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.04%			This PAI is part of TOBAM's exclusion policy. This indicator is closely monitored to ensure that no company in breach of key international norms are invested by the portfolio
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	35.22%			We monitor the indicator compared to the benchmark and have decided to add into our engagement framework a paragraph on processes and due diligence procedures.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	-34.42%			The coverage of this indicator is very low and it makes it difficult to accurately monitor the indicator. We keep checking the coverage, and how this will improve.

	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	28.27%			This indicator is monitored compared to the benchmark and outliers could be the target of an engagement initiative.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00%			This PAI is part of TOBAM's exclusion policy. This indicator is closely monitored to ensure that no company in breach of key international norms are invested by the portfolio. Figures different than 0% will also be investigated by TOBAM and closely documented and researched.

OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	55.68%		<p>For the purpose of this PAI indicator, ISS ESG considers companies to have carbon emission reduction initiatives aimed at aligning with the Paris Agreement only if they have set themselves or are formally committed to setting themselves carbon reduction targets approved by the SBTi.</p> <p>We have selected as additional indicator, the commitment to SBTi as we feel this is a crucial step towards further commitment to carbon emissions reduction. This is part of our process notably for our Paris aligned strategies.</p>	We are monitoring this indicator and will add in 2023 to all our engagement letters a mention to the SBTi initiative and invite companies to commit.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Human Rights	1. Lack of a human rights policy	Share of investments in entities without a human rights policy	41.35%		ISS ESG's definition of human rights policy does not require approval at board level.	Commitment to human rights policies is still very low, in line with the benchmark but still very low. This is a crucial criteria for TOBAM, and we have decided to add a

						request to build human rights policy to all our engagement letters even when the topic of engagement is unrelated.
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3. ACTIONS TAKEN, AND ACTIONS PLANNED, AND TARGETS SET FOR THE NEXT REFERENCE PERIOD

Numerous initiatives have been taken and developed over the past few months and the past year to further enhance our SRI implementation, as well as reinforce our engagement as a responsible shareholder and creditor.

For our sustainable and responsible investment policy, we implemented at the beginning of the year 2022, the ESG footprint alignment. We were already computing the ESG footprint of our portfolios, based on our proprietary methodology, but we decided in 2022, to enforce into our investment process that our portfolios should have E, S and G footprints at minima equal at their respective benchmarks E, S and G footprints. These efforts ensure ESG integration is enforced in all our portfolios.

The second key development is the alignment of three funds, with the Paris agreement of keeping global warming below the 1.5° C commitment.

For those three funds TOBAM applies the following additional ESG features:

- Carbon Footprint Reduction of 50% vs. Benchmark (versus 20% for the other sub-funds) considering Scope 1, 2 and 3 (when possible)
- Additional and more restrictive exclusions on Fossil Fuel related industries (Coal; Threshold at 1% of revenues, Oil: threshold 10% of revenues, Natural Gas: threshold 50% of revenues; High GHG emissions electricity producers: threshold >100gCO₂/kwh (50% of revenues)
- Optimization constraint of temperature contribution of each holding to reach a 1.5° C portfolio in line with the latest IPCC climate scenarios.
- Best effort additional feature, to incorporate companies' commitment to the Science Based Targets initiative (monitored on a yearly basis).

From a stewardship perspective, TOBAM has continued its engagement efforts with the companies involved in the Uyghurs forced labor camps in China. These IT companies or fast fashion companies are allegedly using outsourced companies based in China or elsewhere that are themselves accused of recurring to forced labor camps in China, targeting the Uyghurs population. We have already reached over 70 companies, some have provided convincing proof of stoppings with the mentioned factories, some have explained the measures taken, and policies in place, some have denied, and some have not answered. We are continuing the discussions. No company has yet been excluded and penalized due to the lack of responsiveness to our dialogue.

In 2022, we started engaging with companies that are considered by the NGO Urgewald, as developers of coal mining projects. As part of our coal exclusions, developers according to the best standards and advice from Urgewald, should be excluded. Before doing so, we decided to use the opportunity of being shareholders to engage with the companies and understand the projects better, hoping to influence a better outcome.

This initiative has led us to reach 5 companies. We had a call with one company and the 4 other companies have not yet responded. This engagement initiative is still ongoing.

4. DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS.

As minimum standard, the principal adverse impacts on sustainability indicators have been taken into account through an exclusion investment policy.

The exclusion policy covers activity-based exclusions with a high occurrence of adverse impact like controversial weapons, as well as an approach to dealing with companies that breach the UN Guiding Principles and OECD Guidelines for Multinational Enterprises.

For more information, please refer to **TOBAM's Exclusion Policy**.

Given the evolving nature of the SFDR data environment, there may be challenges in identifying adverse impacts. More information on how TOBAM deals with these challenges can be found via TOBAM's SFDR Data Disclosures document. All TOBAM's policies and procedures are evaluated on at least an annual basis.

In terms of prioritisation TOBAM has been focused on

- Carbon Emission Reduction, therefore, GHG related PAIs have been for many years at the forefront of TOBAM's investment process. In particular TOBAM sees the Paris Accord, as fundamental milestone for a sustainable future.

5. GOVERNANCE

TOBAM Executive Committee allocated the main responsibility of steering the Sustainability Governance to the Sustainability Committee. Due to the specific requirements of the review and maintenance of the Principal Adverse impacts in accordance with the Delegated Act of the SFDR, a specific PAI Working Group and Committee have been introduced.

Final decisions are then taken within the PAI Committee composed by PAI Working Group Members, Sustainability Committee Members and in addition the COO and the Head of Risk.

6. DATA SOURCES

TOBAM currently avails of ISS computation engine and methodology for the presentation of the data. At present the coverage is limited to issuers and investee companies, thus excluding cash, and other non-investable items.

Controls are performed on data management and data quality, both in terms data uploading process of the relevant portfolio and output of the relevant metrics and indicators from the ISS infrastructure.

7. ENGAGEMENT POLICIES

Recognizing the value of different forms of engagement, TOBAM carries out direct engagement as well as collaborative engagements with other partners or investors. TOBAM acts individually or collectively based on information gathered by its partner ISS or issued by other stakeholders such as investors or human rights NGO's. All engagement initiatives are discussed and decided during the Sustainability Committee.

TOBAM can engage in the following forms:

- Collaborative engagement via a pooled engagement with ISS.
- Participative engagement with other collaborative initiatives, including PRI, as TOBAM is a signatory since 2010.

In addition, results of engagement are reported regularly and at least quarterly to the Sustainability Committee.

Within the Sustainability Committee the escalation process is defined, up to the recommendation of disinvestment.

Another important form of engagement is the proxy voting process and related stewardship Policy. As a shareholder, TOBAM has a right to vote in shareholder meetings of the investee companies. TOBAM uses the voting rights with the aim to influence a company's corporate practices in line with best governance practices, the interest of our clients and the investing public at large.

By Proxy Voting policy we aim to promote good governance practices for example by voting against management resolutions that are not aligned with best practice or do not have sufficient minority shareholder nor diverse representation within the Board of Directors.

ISS is delegated to perform TOBAM's voting policy on our behalf.

For more details, please refer to TOBAM's Engagement and Stewardship Policies.

8. REFERENCE TO INTERNATIONAL STANDARDS

As part of TOBAM's effort to making financial markets more sustainable, the company works together with a diverse set of international institutions. Our active contribution to these important global platforms for collaborative action on sustainability issues enables us to help shape the global investment agenda. For more details, please refer to the **Sustainable & Responsible Investments Sustainability Risks Policy**.

As a PRI signatory since 2010, TOBAM is committed to upholding its Responsible Investment objectives by applying the PRI's six underlying principles to its business and communicating its practices, progress and outcomes every year.

a. ALIGNMENT TO PARIS AGREEMENT

TOBAM has taken the initiative to align some sub-funds with the Paris agreement of keeping global warming below the 1.5° C commitment. For those sub-funds, TOBAM applies the following additional ESG features:

- Carbon Footprint Reduction of 50% vs. Benchmark (versus 20% for the other sub-funds) considering Scope 1, 2 and 3 (when possible)
- Additional and more restrictive exclusions on Fossil Fuel related industries (Coal; Threshold at 1% of revenues, Oil: threshold 10% of revenues, Natural Gas: threshold 50% of revenues; High GHG emissions electricity producers: threshold >100gCO₂/kwh (50% of revenues)
- Optimization constraint of temperature contribution of each holding to reach a 1.5° C portfolio in line with the latest IPCC climate scenarios.
- Best effort additional feature, to incorporate companies' commitment to the Science Based Targets initiative (monitored on a yearly basis).

b. ADHERENCE TO INTERNATIONAL SOCIAL STANDARDS

TOBAM complies with the following international social standards as part of its investment policy:

- the OECD Guidelines for Multinational Enterprises.

- and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

This commitment is linked in particular to PAI number 10 as per below table.

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
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9. HISTORICAL COMPARISON

This is the first year of publication, historical comparison is not available for this year.