



## ESG policy and integration of principal adverse impacts on durability

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In line with applicable regulations, Graphene Investments ("the Company") must disclose its policy regarding the integration, in its investment decision-making, of environmental, social and governance (ESG) criteria, as well as the main adverse impacts on durability.

Graphene Investments considers that, at this time, there is no obvious consensus about the best practices in the ESG area, nor any clear rule that is commonly accepted by all asset managers, their service providers and their suppliers. For these reasons, the Company refrains from making any commitment to applying specific ESG criteria, in order to adjust its approach with flexibility and pragmatism, in all honesty, for each specific case. ESG considerations are not put forward in marketing communication, and none of the funds managed by the Company is classified Art. 8 or 9 of the EU's SFDR regulation.

Graphene Investments also considers that the current limitations experienced on available data and models make it impossible to get the reliable details that would be needed to fully comply with the disclosure requirements of the SFDR regulation on principal adverse impacts. As a result, as per the SFDR definition, the Company doesn't take the principal adverse impacts into account.

This stance will be reviewed regularly as the market and practices evolve, to further structure the integration of ESG principles and principal adverse impacts in the decision-making process. At this stage, Graphene Investments will only disclose below a number of general elements about the way it deals with these topics, together with many others and without making any of them a prerequisite, during the analysis and follow-up of an investment opportunity.

### Exclusion criteria:

The only systematic exclusion resulting from Graphene Investments' policy applies to defense firms which produce anti-personnel landmines and cluster bombs (as defined by the Oslo and Ottawa Agreements) or, more generally, any bacteriological or chemical weapon.

The company's strategies also avoid securities that have a significant exposure to tobacco (above 15% of revenue) or resources whose extraction is particularly detrimental to the environment (in excess of 25% of revenue from oil sands, coal or palm oil). Electric utilities whose production involves a significant proportion (above 25%) of coal-fired power plants are also avoided. Engineering companies that help build or maintain infrastructure facilities used for the above activities are not subject to these restrictions.

### Other factors taken into account:

ESG considerations are taken into account in the analysis, with a negative, non-blocking effect on the potential purchase of securities which do not meet the requirements. These points involve environmental criteria (particularly resources and emissions management policies), social criteria (especially about diversity), and governance factors (mainly the composition and

independence of the Board). Past ethical or legal controversies, and the way they were resolved, are also monitored. For each of these topics, a particular attention is paid to the following points:

- **environmental aspects:** the Company focuses on the trend in actual achievements, or investments actually carried out, rather than intentions statements and carbon neutrality plans that span over several decades and thus cannot be verified. Whenever the information is available, it aims to check the evolution of emissions and water consumption over the last few years, on a revenue-adjusted basis. As for renewable energies, Graphene Investments tries to differentiate those companies, which only make use of certificates (and thus only move the problem without resolving it) from those whose behavior really has an influence on the energy mix.

- **social aspects:** Graphene Investments checks the availability of policies to guarantee employees main rights and, whenever the data is available, it reviews various details from a measurable standpoint: trends characterizing safety at work, evolution in training budgets, consistency in the representation of the various employee categories between the management and the general workforce, etc. Various more subjective points are also taken into account, like those relating to the quality of social dialogue, or those which may help detect a potentially detrimental effect of the company's products or behaviors on its clientele or the general society.

- **governance aspects:** Graphene Investments checks the composition of the Board, with a particular attention to directors' experience, their independence, and their consistent attendance to meeting. The separation of the Chairman and CEO roles is studied on a case-by-case basis, because the personalities involved and their role in the company's history are considered more important than the principle of keeping the positions separate. At this stage, we do not either systematically value measures linking executives' compensations to their ESG initiatives, because the criteria used for reference look too partial and easy to tamper with.

- **controversies:** the controversies in which the company may have been involved are checked when the facts occurred during the tenure of the current management team. Only confirmed cases (and not a mere press article containing some criticism) are taken into account, with a particular attention to those which may be signs of a loose sense of ethics.

On all of the above factors like for the assessment of corporations' fundamentals, our analysis framework is customized for local and sectorial standards. To encourage companies which truly make efforts rather than those which are structurally less exposed, an analysis of trends is favored over the absolute level of quality. Graphene Investments' professionals also aim to remain free from any influence of emotional factors, to think rigorously and pragmatically and go beyond the pre-conceived ideas and the scientifically-doubtful theories that sometimes dominate the debate in ESG-related areas.

In addition, Graphene Investments is happy to study any request from institutions who, having defined themselves the restrictions they wish to apply to their own investments, would like to discuss the implementation of a customized version of its standard strategies in a segregated account.

