Anaxis AM / Sustainability-related disclosures

A) No significant harm to the sustainable investment objective

Explain whether and why the investment of the financial products does not significantly harm any of the sustainable investment objectives, and provide all of the following information:

In order to ensure that the investments in this product do not significantly harm an environmental or social objective, Anaxis Asset Management has defined a method for selecting investments based on sustainability criteria.

How they consider adverse impact indicators.

The principal adverse impacts are taken into consideration in the various stages of the management company's responsible investment approach: through the sector exclusion policy, the identification of sensitive activities (climate and water issues), the rating of climate alignment, the rating of efforts to reduce water-related impacts, the rating of social and governance matters, the assessment of the seriousness of controversies, the review of OECD procedures and the identification of possible links with authoritarian regimes. The measurement and monitoring of the above-mentioned indicators is part of the strategy to reduce adverse impacts on sustainability factors.

Whether sustainable investment aligns with OECD Guidelines and UN Guiding Principles on Business and Human Rights, including labor and human rights conventions.

The management company monitors controversies, as well as procedures initiated under the OECD mechanism for multinational companies. Cases deemed serious are specifically analysed and submitted to our ethics committee, which decides on the eligibility of the company based on its compliance with these principles. As a result, the portfolio aims to be fully aligned with the OECD and United Nations guidelines, including the principles contained in all the fundamental conventions to which these institutions refer.

B) Sustainable investment objectives of the financial products

Describe the sustainable investment objective of the financial product.

This product seeks to reduce the overall carbon intensity of the investments under management by 7.5% per year on average until 2030, and achieve carbon neutrality by 2050. The reference level is that measured at the end of 2018. This product is not managed according to a benchmark. Its portfolio cannot be considered as an implementation of the Delegated Regulation (EU) 2020/1818 on "EU Climate Transition Benchmarks" and "EU Paris-aligned Benchmarks".

C) Investment strategy

Describe the investment strategy used to achieve the sustainable investment objective.

The sustainable investment objective should be achieved by a careful selection of investee companies according to a best-effort approach. This means that emission-intensive companies are excluded if they do not implement satisfactory plans to reduce their climate impact and achieve carbon neutrality. Companies having high potential adverse impacts on other sustainability factors are subject to a review of their policies and results using a combination of appropriate indicators.

Describe the policy to assess good governance of the investee companies, including with respect to sound management structures, employee relations, remuneration, and tax compliance.

The policy to assess good governance practices of investee companies is as follows: companies are rated on a scale of 1 (low risk) and 4 (very high risk). A rating of 3.5 or more for a company should lead to an exit from the corresponding position. The criteria to be taken into account in investment decisions are transparency, sound organisation, respect of stakeholders' interests, fundamental rights and tax policy.

D) Proportion of investments

Insert the information on the website referred to in the section 'What is the asset allocation and the minimum share of sustainable investment?' in the template set out in Annex III in the Delegated Regulation (EU) 2022/1288, and distinguish between direct exposures in investee entities and all other types of exposures to those entities.

The fund has a sustainable investment objective. As such, the minimum share of sustainable investments within the meaning of Article 2(17) of Regulation (EU) 2019/2088 (SFDR) amounts to 100% of assets, excluding cash. However, there is no minimum applicable in relation to the European Taxonomy.

E) Monitoring of the sustainable investment objective

Describe how the sustainable investment objective and the sustainability indicators used to measure the attainment of the sustainable investment objective are monitored throughout the lifecycle of the financial products and related internal and external control mechanisms.

To measure the achievement of its sustainable investment objective, the management company calculates the average carbon intensity of investee companies. The intensity is measured in tons of carbon dioxide (or equivalent) per million euros of turnover. The average is weighted by portfolio allocation percentages. The emissions considered are those of scopes 1 and 2. Other greenhouse gases than CO2 can be taken into account by converting them into equivalent quantities of carbon dioxide in terms of their contribution to the greenhouse effect.

F) Methodologies

Describe the methodologies used to measure the achievement of the sustainable investment objective and how the sustainability indicators to measure the attainment of that sustainable investment objective are used.

Companies are ranked according to the carbon intensity of their business. An investment in a greenhouse gas sensitive sector is eligible if the company's climate rating is equal to or higher than B on a scale from A (best rating) to E (worst rating). This grade corresponds to companies that demonstrate transparency, have procedures in place to assess and manage climate risks and impacts, have defined medium and long-term objectives that can realistically contribute to the objectives of the Paris Agreement, have a credible plan to reduce their greenhouse gas intensity, and have begun to do so. Companies that only partially meet these criteria (companies rated B- and considered to be in the process of alignment) are also eligible on a provisional basis, provided we enter into a process of investor engagement aimed at making them eligible within one year.

G) Data sources and processing

The financial market participants shall describe all of the following:

The data sources used to attain the sustainable investment objective of the financial product.

We use ESG data and assessments from the following sources:

- Companies' publications,
- Lucror Analytics for governance and social responsibility,
- ISS for controversies and greenhouse gas emissions,
- CDP for information on companies' greenhouse gas emissions, their climate strategy and their consideration of water-related issues,
- Urgewald for the identification of activities and controversial projects in the fossil fuel sector.

The measures taken to ensure data quality.

To ensure data robustness, our data and sustainability research teams work closely together to assess the data quality and consistency before its implementation.

How data are processed.

Data is processed using internal systems combining information from various sources and providers. Proprietary indicators have been developed. Some of them require intensive data collection efforts and are not broadly available in the marketplace.

The proportion of data that is estimated.

Where information is not available for calculating greenhouse gas intensity, we use internal estimates based on the company's main sector of activity. In 2023, we were able to collect emissions figures for 71% of the positions in our portfolios. For the other indicators, we do not use estimates and indicate the level of portfolio coverage in our reports. When the lack of information leads us to define approximate indicators, the principles used are explained.

H) Limitations to methodologies and data

Describe any limitation to the methodologies and data sources.

- The analysis is based primarily upon information supplied by the companies. Figures are not always audited. Methodologies and scopes can vary, making comparisons and aggregations questionable.
- In some cases, it is necessary to use assumptions or estimates; for instance, when data on greenhouse gas emissions are not available or as yet incomplete.
- Too few data are available to date to assess indirect greenhouse gas emissions; for instance, those relating to the use of products or services provided by companies (scope 3).
- Some assessment criteria are based upon forecasts, commitments or strategies published by companies. Achievements can turn out to be very different.
- Some criteria are based upon procedures or internal policies published by companies. It is possible that these procedures and policies are only applied partially or not at all.
- Some information may not be recent enough to reflect the current situation of a relevant company; for instance, when this information stems from an annual report or when material changes have occurred within this company.
- An analysis, even a thorough one, may not be able to anticipate a controversy or a future event that might have a material adverse impact.

Describe why such limitations do not affect the achievement of sustainable investment objectives.

To make the analysis as relevant as possible, Anaxis Asset Management concentrates on those sustainability issues most likely to have a material impact. These key issues are defined by sector and are regularly reviewed. They are, however, not exhaustive.

I) Due diligence

Describe the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.

Our due diligence on fundamental rights is based on three pillars: (i) monitoring of controversies through the specialised services of the ISS agency, (ii) reports from the OECD and NGOs working on issues related to fundamental rights, (iii) analysis of corporate governance and social responsibility in the form of scores integrating different themes (with the help of the financial analysis company Lucror Analytics for the names it covers). Exclusion may be the result of a decision by the ethics committee or of an insufficient score in terms of governance or social responsibility. In the climate field, the standards are applied by means of (i) sector exclusions, (ii) a rating of companies' climate strategy which may lead to investment restrictions, (iii) monitoring of controversies, (iv) an engagement process on environmental issues.

The compliance of our portfolios with our sustainability criteria in monitored by our risk management department on a daily basis. The actual implementation of our ESG due diligence processes is audited by our internal control department and reviewed by an independent external consultant.

J) Engagement policies

Describe the engagement policies implemented where engagement is part of the sustainable investment objective, including any management procedures applicable to sustainability-related controversy in investee companies.

As our business is focused on bond management, we do not attend shareholders' meetings. Our engagement policy complies with the recommendations of the Net Zero Asset Managers initiative. It aims to bring companies into line with the objectives of the Paris Agreement, when these companies have a high potential climate impact due to the nature of their activity (which is the case, for example, of transport companies). To remain eligible for inclusion in our portfolios, these companies must already be in the process of alignment and respond favourably to our requests. In concrete terms, the progress made must lead to an improvement in the climate rating within 12 months. Failing this, efforts will be deemed insufficient and our ethics committee will examine the name with a view to excluding it from the list of authorised investments. Our engagement policy also involves collective action through our membership of IIGCC (The Institutional Investors Group on Climate Change).

K) Attainment of the sustainable investment objective

Describe the following:

Financial products with sustainable investment goals must align their designated benchmark index with sustainability objectives: It includes details on input data, data selection methods, rebalancing processes, and index calculation. If this information is on the benchmark administrator's website, provide a hyperlink for easy access.

For financial products targeting carbon emission reduction, state if the reference benchmark is EU Climate Transition or Paris-aligned. Provide a hyperlink to the benchmark methodology. If not applicable, explain efforts for Paris Agreement objectives. Also, clarify compliance with Delegated Regulation (EU) 2020/18

This product is not managed according to a benchmark. Its portfolio cannot be considered as an implementation of the Delegated Regulation (EU) 2020/1818 on "EU Climate Transition Benchmarks" and "EU Paris-aligned Benchmarks.