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Sustainability Risks Integration Policy

V1.0 – January 2022

Context

Sustainability risks are defined by the Regulation (EU) 2019/2088 on Sustainability Disclosure in the Financial Services Sector ("SFDR") as "an environmental, social or governance event or condition which, if it occurs, could have a material adverse effect, actual or potential, on the value of the investment".

As part of its third party management activity, ATLAS RESPONSIBLE INVESTORS ("ATLAS") has established and implemented a sustainability risk integration policy. The objective of this policy is to present the way in which ATLAS integrates sustainability risks into its investment, management and governance processes, in line with its ESG policy, called "Responsible Investment Charter" and available on the ATLAS website.

1. The ATLAS Responsible Investment Charter

Through its Responsible Investment Charter, ATLAS presents its policies and practices regarding the integration of environmental, social and governance (ESG) criteria in the selection, management and engagement process. This charter illustrates the strong commitments made by ATLAS to promote responsible investment in all its activities.

The *Responsible Investment Charter* and the *Shareholder Engagement and Voting Policy* are available on the ATLAS website.

2. ESG integration and consideration of sustainability risks within ATLAS

ATLAS invests in companies that contribute to the 11 Responsible Investment Goals (RIGs) it has identified as critical to sustainable development, all of which are linked to the United Nations Sustainable Development Goals (SDGs). They cover the majority of the social and environmental issues of the SDGs to which companies can contribute through their business activities.

Therefore, sustainability risks are taken into account

- In the ATLAS investment process: whether through the exclusion policy, the integration of ESG criteria in investment choices, the engagement policy with expert panels and companies or in the management of controversies.
- And supervised by the governance built around the subject.

The ATLAS Responsible Investment Charter includes these various elements, including the exclusion policy and the approach to climate risk.

3. ATLAS exclusion policy & ESG selection criteria

A number of sectors are by definition excluded from the investment universe as they do not contribute to the achievement of ATLAS' Responsible Investment Objectives. In particular, companies with a significant proportion of their turnover in sectors that we consider to be controversial due to their negative environmental and/or social impact are excluded. These activities and exclusion thresholds are specified in the Responsible Investment Charter and listed below:

- Energy: fossil fuels, thermal coal, oil sands and Arctic drilling
- Health and addiction: Tobacco & Cannabis, Alcohol, Gambling
- Agriculture: Unsustainable Palm Oil, Agrochemicals
- Human Rights: Pornography, Controversial Weapons, Controversial Medical Practices
- Business Ethics: Violations of the UN and OECD Guidelines

These exclusionary processes are part of the consideration of sustainability risks.

ATLAS products integrate ESG characteristics at the first stage of selecting investment universes in order to select companies that are leaders in sustainable development, which by definition limits the potential negative impact of sustainability risks on performance.

In its proprietary selection methodology, ATLAS uses, among others, the MSCI ESG Research rating, which is based on the materiality of ESG issues and has a strong focus on the integration of sustainability risks. MSCI ESG Research is based on publicly available data, including macroeconomic and sector data and data from the publications of the companies under review (annual reports, CSR reports, etc.).
For each key ESG issue identified (between 3 and 8 depending on the industry) by sector, MSCI ESG Research assesses the exposure of the company under review to the risk under consideration and the policies and actions implemented to address it. As a result, ATLAS reduces its exposure to sustainability risks by selecting only Best-in-class companies through its rating, which takes into account, among other things, the MSCI ESG rating of companies.

4. Commitments to combat climate change and biodiversity risks

ATLAS is committed to being a responsible investor in the fight against climate change by integrating climate leadership in its investment selection criteria: we apply a filter in our proprietary rating to ensure the climate performance of companies. Our ambition is to have a low-carbon portfolio with a maximum of companies whose climate trajectory is aligned with the Paris Agreements. The climate filter (Carbon Disclosure Project rating or trajectory validated by the Science-Based Target initiative) is applied with specific rigour to industrial sectors for which greenhouse gas emissions are a major material issue

On the other hand, the loss of biodiversity in the various ecosystems, whether animal or plant, can have significant direct consequences on the environment and be harmful to human health. Water, soil and air pollution can add to and aggravate other causes. ATLAS is attentive to the reduction of risks linked to the loss of biodiversity and is committed to progressively integrating decision and evaluation criteria to help take this reduction into account - no placeholder standard being available at this stage. However, in our qualitative analysis of the ESG commitments of companies eligible for investment, we are already studying the approach to biodiversity taken by companies for which this represents a material issue.

5. Voting and shareholder engagement

When exercising its voting rights in relation to UCITS, ATLAS takes into account the exclusive interests of the holders and shareholders. ATLAS' voting policy takes particular account of non-financial risks.

As a committed investor, ATLAS will endeavour to exercise its shareholder rights, whether through proposals and/or voting on resolutions at general meetings, exchanges with management teams prior to general meetings or shareholder coalitions on identified ESG issues.

In this context, the main points of attention concern the following subjects: balance and diversity within the board of directors, responsible distribution policy, employee shareholding, fairness of remuneration and the inclusion of non-financial criteria in the variable remuneration of managers.

We regularly engage with the management teams of the companies in which ATLAS invests. This engagement focuses in particular on stated sustainability ambitions and how companies will achieve their stated goals. Our team will seek to 'constructively engage' with companies to move them forward either by engaging on their own or by building coalitions or participating in investor campaigns on targeted issues such as climate action or human rights. The objective is to ensure that portfolio companies have a good understanding of their sustainability risks (in particular through their materiality matrix), that their commitments are robust enough to address them and that they are integrated into their strategy.

As ATLAS only invests in listed companies, these companies are accustomed to dialogue and transparency with investors, notably through their periodic regulated communication and the holding of general meetings. The ATLAS investment team keeps abreast of issuers' communications as much as possible, and endeavours to participate in their events (investor presentations, trade shows, conferences, webcasts, site visits, etc.).

ATLAS encourages transparency from issuers. As such, ATLAS may invite issuers to clarify any controversy, malfunction or misunderstanding by the financial community. If an extra-financial risk is identified and a portfolio company is the subject of a controversy affecting its ESG ratings, we use the data of our external ESG rating partner and favour direct contact with the company for a better understanding of the issues and consequences and of the controversy. This analysis allows us to make a decision, within one to ten days depending on the severity of the controversy, to reduce or exit the position, for optimal capital protection.

6. ESG governance within ATLAS

ESG governance within ATLAS is based on a specific organisation which is structured around 3 bodies:

- The Investment Committee, which includes the Chief Impact Officer, who is responsible for selecting investment universes based on demanding ESG criteria upstream of fundamental research

- The Expert Panels which review and enrich the impact theses on each of the eleven investment themes and enable the selection of quality companies on these sustainability criteria.

- The Board of Directors, which has the task of overseeing the implementation of :
    - The Responsible Investment Charter, the Shareholder Engagement Policy and their application,
    - The whole investment process
    - Transparency commitments (Transparency Code, Impact Report)

- Regulatory non-financial reporting
- The implementation of dedicated controls

7. Consideration of sustainability risk in remuneration policy

Following the entry into force of Regulation (EU) 2019/2088, ATLAS' remuneration policy promotes sound and effective risk management with respect to sustainability risks and ensures that remuneration practices do not encourage excessive sustainability risk-taking and are linked to risk-adjusted performance.

In conclusion, the integration of sustainability risks is taken into account throughout the investment process, reinforced by engagement with expert panels and company management teams, under the supervision of the Board of Directors.

ATLAS RESPONSIBLE INVESTORS
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Portfolio management company approved by the AMF under number GP202167