ATLAS
RESPONSIBLE INVESTORS

Responsible Investment Charter

V2.0 – July 2022

Context

Our commitment at ATLAS RESPONSIBLE INVESTORS (hereinafter "ATLAS") is to deliver uncompromising performance through responsible public equity investments, fuelling progress towards the United Nations Sustainable Development Goals.

Finance is the power engine behind the economic machine. As active public equity investors, our purpose is to drive a radical shift toward more inclusive, sustainable, and fair capitalism.

ATLAS' mission is to pursue the following social and environmental objectives:

- Enable investors to vote with their capital by financing the most sustainable companies
- Contribute to the transformation towards a low-carbon economy in line with COP 21 Paris Agreement
- Share value by reinvesting part of the revenues in positive impact projects.

To achieve its mission, ATLAS offers two investment strategies:

- Long/Short Equity absolute return strategy
- Long Only Equity conviction strategy

Contributing to the UN Sustainable Development Goals (SDGs) is at the heart of ATLAS' mission. Our objective is to offer strategies that reconcile performance and positive impact on society. This quest for impact is implemented ex-ante through the integration of sustainability issues in our selection process, and ex-post through impact measurement of our portfolio.

In addition, ATLAS commitment to redistribute 50% of its performance fees to its endowment fund will have a direct social and environmental impact.

Our firm is sustainability-native and exclusively dedicated to responsible investing: ATLAS is therefore positioned as an impact finance player and our investment strategies are classified as "Article 9" under the new European taxonomy (SFDR Regulation).

Content of the policy

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

The Responsible Investment Charter, as well as the related *Voting and Shareholder Engagement Policy* and *Sustainability Risk Integration Policy* are available on the ATLAS website.

This charter sets out the main commitments of ATLAS in terms of responsible investment and details the following topics:

1. Investment Strategy

1.1. Sustainable Investment Goals

At ATLAS, we pursue 11 Sustainable Investment Goals (SIGs) aligned with the United Nations Sustainable Development Goals (SDGs). We believe that companies incorporating core sustainability trends at the heart of their business models will unlock untapped growth opportunities, while contributing positively to transforming the current system towards a fairer and more sustainable capitalism. ATLAS invests in listed companies which contribute to its **11 Sustainable Investment Goals** (detailed definition in Appendix):

1- Clean Mobility
2- Energy Transition
3- Financial Inclusion
4- Health & Wellness
5- Peace, Knowledge & Education
6- Resource Efficiency
7- Responsible Consumption
8- Smart Cities
9- Sustainable Food
10- Tech for Good
11- Water conservation

ATLAS makes 100% of its investments in alignment with its 11 Sustainable Investment Goals.

ATLAS defines companies as contributors to its SIGs if they:

- Contribute by nature to the ecological transition or to social progress through the products and services they sell
- Are environmental and/or social leaders in their business practices on the most material issues for their business.

In addition, their contributions must be:

- Substantial
- Do No Significant Harm to other environmental objectives (DNSH)
- Exercised in compliance with a minimum of human and labour rights guarantees

1.2. Investment universe

Our investment process starts with the selection of the sectors of activity that contribute to our 11 Goals and the definition of our investment universe through the steps described below.

A materiality analysis of each of our Sustainable Investment Goals allows us to identify the major sustainability issues associated with each theme. This stage of the research is updated regularly, based on reports from international organisations, scientific and economic experts, as well as the internal knowledge of the ATLAS team and expert panels.

A detailed analysis of the key value chains within each Sustainable Investment Goal identifies the main sectors of activity that contribute to addressing the sustainability issues identified in the first step. This initial universe is made up of approximately 2,000 companies in the European and North American markets. Our exclusion policy and selection of eligible stocks based on their ESG characteristics are then applied to these universes.

2. Exclusion policy

Several activities are excluded from the investment universe as they do not inherently contribute to the achievement of our Sustainable Investment Goals. Companies with a significant proportion of their turnover in sectors that we consider controversial due to their negative environmental and/or social impact are excluded.

2.1. Energy

The intensive use of fossil-based energy in the medium- and long-term preclude the global energy transition and do not fit in the Paris Agreement's trajectory to keep global warming below 1.5 degrees by 2100. At COP 26 in Glasgow, 200 countries committed to accelerate efforts to phase out coal-based power and inefficient fossil fuel subsidies.

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Therefore, companies that generate more than 30% of their revenues from fossil fuels, without a rapid and credible transition strategy recognised by independent experts, are not eligible in our investment portfolio. This applies to companies directly involved in the extraction, processing, refining or trading of oil, coal or gas. It also applies to companies that sell equipment dedicated to these processes.

Companies generating more than 10% of their revenues from the following activities are excluded from our investments:

- **Thermal coal:** companies involved in the production of energy from thermal coal, which is very intensive in greenhouse gas emissions.
- **Oil sands and Arctic drilling:** these extraction methods have high levels of greenhouse gas emissions and have serious consequences on the biodiversity of natural ecosystems.

2.2. Health & Addiction

Tobacco and Recreational Cannabis: companies that derive more than 10% of their revenues from the production of tobacco or recreational cannabis, which can generate addictive behaviours and have serious consequences for human health. Their production also poses high sustainability risks in both social and environmental terms.

Gambling: companies that derive more than 5% of their revenues from the sale of gambling (casinos, lotteries, betting, online gambling, etc). Compulsive gambling is controversial because of the risks of addiction and the potential social impacts on vulnerable people and communities. In addition, the gambling industry is more exposed to money laundering practices.

Alcohol: companies that derive more than 30% of their revenues from the production and distribution of alcoholic beverages that can generate addictive behaviour and have serious consequences for human health.

2.3. Agriculture

Agrochemicals: companies that derive more than 10% of their revenues from controversial chemicals that are banned from marketing in several countries, when they do not have targets for phasing out these products by 2025.

Palm oil: companies that derive more than 10% of their revenues from the production of unsustainable palm oil i.e., not RSPO (Roundtable on Sustainable Palm Oil) certified.

2.4. Fundamental human rights

Adult entertainment: companies that derive more than 5% of their revenues from the production, services or publication of pornographic entertainment that is addictive and exposes its participants to serious risks related to fundamental human rights, such as human trafficking and other forms of exploitation.

Controversial weapons: companies that derive more than 5% of their revenues from the production, sale and/or distribution of weapons that have a disproportionate impact on civilians without distinction, as per the Ottawa Convention. This includes all activities and components/services related to the main weapon system if they are custom-made and essential for the lethal use of the weapon. The following weapons are controversial: cluster munitions, nuclear weapons, anti-personnel mines, biological weapons, chemical weapons.

Controversial Medical Practices: Companies engaged in research and development on human embryos or whose activities are contrary to the ethical guidelines inspired by the Social Doctrine of the Church. Thus, we exclude actors whose activities undermine human life and dignity.

2.5. Business Ethics and International Conventions

UN Global Compact and OECD Guidelines for Multinationals: companies whose business practices are in serious violation of the UN Global Compact Principles or OECD Guidelines for Multinationals.

3. Investment Selection Process

The integration of ESG criteria and the consideration of sustainable development issues are central to the investment process. The Chief Impact Officer oversees the selection of companies eligible for investment and conducts an initial filtering stage based on a proprietary ESG rating system supplemented by a qualitative research stage based on human judgement.

3.1. ESG rating

Using our rating methodology, we identify companies that contribute positively to solving the sustainability issues identified in each sector. Our ESG rating is established with a proprietary methodology based on extra-financial data provided by our external service providers. Our initial ESG filter selects the 20% "Best in Class" companies.

Atlas' objective is to contribute to the transition to a low-carbon economy. We then apply an additional filter to ensure the climate performance of companies. Indeed, ATLAS ambition is to offer a portfolio made up of companies whose climate trajectory is aligned with Paris Agreement. The climate filter (CDP rating or trajectory validated by SBTi) is applied with high rigour to carbon intensive industrial sectors for which greenhouse gas emissions are a major material issue. This initial selection constitutes the starting investment universe.

It should be noted that some smaller companies sometimes lack extra-financial information, and therefore do not always allow for a satisfactory ESG analysis. If the information made available is insufficient to perform an extra-financial analysis, the company is subject to further scrutiny, and we interact with the management teams where possible. It will be screened out by the investment team if it presents a specific ESG risk or on the opposite it could be added to investable universe if the team has a strong impact thesis.

3.2. Qualitative analysis

The team then conduct a more in-depth study of the companies' sustainability strategies and the impact of their business models. Our team assesses the potential impact of the company's products and services and their ability to solve sustainability challenges in their industry.

Some companies are by nature "sustainability-native", which means that their purpose is a business solution to a social or environmental issue. Therefore, these companies have a strong contribution to our Sustainable Investment Goals (Examples: companies offering circular economy solutions, waste management, clean energy, access to health or education etc.).
For more mature global companies, we study their capacity to develop disruptive innovation to meet their sustainability challenges. Indeed, for traditional industries, their ability to provide solutions comes mainly from their capacity to transform themselves, reinvent their business models and therefore innovate.

During this qualitative analysis phase, particular attention is paid to the "Ethical Guidelines for Financial Management" which have been established in accordance with the Social Doctrine of the Church and affirm the values of humanism and solidarity. ATLAS seeks to select companies that comply with their six fundamental principles, which is already largely covered by the initial rating filter.

We classify the companies we invest in into three categories:

- **"Pioneers":** multinational companies that are leading the way in transforming their sector on the most material sustainability issues in their business.
- **"Catalysts":** companies whose products and services enable the transition of traditional industries by offering innovative solutions to the various challenges of sustainable development.
- **"Disruptors":** innovative companies that disrupt their industry with products and services that are sustainable from the outset and make a positive contribution to society or the environment.

In conclusion, 100% of the companies in which ATLAS invests have undergone ESG qualitative research by our team, which enables us to establish an *Impact Thesis* for each of the company in the portfolio. These Impact Thesis are regularly reviewed by our expert panels.

Selection of "Shorts" positions universe

In the case of the Long/Short Equity strategy, short positions are initiated against companies that are:

- Late in the transition towards the Sustainable Development Goals and therefore worst-in-class in ESG (bottom 20% of our proprietary rating, supplemented by qualitative analysis)
- Ahead of major social or environmental controversies
- In our exclusion universes, because in this case their activity does not by definition contribute to ATLAS SIGs.

Our philosophy is that taking short positions against companies that are not sufficiently committed to sustainability is a stronger signal to the management teams of these companies than simply excluding them from our investment universe. This allows us to act as whistle-blowers on major ESG issues or controversies.

Fundamental research

As part of our investment process, following the initial investment universe definition based on ESG criteria, a second phase of fundamental financial analysis begins. The CIO selects companies offering the best risk/return profile within the initial investment universe of ESG leaders.

4. Dialogue & Shareholder Engagement

Collective intelligence and engagement are at the heart of ATLAS' strategy as positive catalysts for change. At every stage, engagement and dialogue with corporate practitioners and sustainability experts enrich our process.

Furthermore, voting and shareholder engagement is an additional impact lever. This commitment is mainly expressed through:

- Dialogue, to encourage management to make progress on specific ESG concerns. We call this form of shareholder activism 'constructivism'.
- Vote, through the exercise of voting rights at annual general assemblies.

ATLAS approach is described in the *Voting and Shareholder Engagement Policy* available on the website.

4.1. Expert Panels

We have set up a pioneering process engaging with industry experts to review and enrich our systematic ESG research. ATLAS Expert Panels are composed of global sustainability business leaders from industries related to each of our 11 Sustainable Investment Goals. We regularly confront our ESG research with them, leveraging the power of human judgment and expertise along with data.

Our expert panels help us constantly refine and challenge the quality of our investment universe, company selection and portfolio impact. They bring their knowledge and expertise of the sustainability issues and their vision as practitioners. We favour international personalities, who have executive functions, and we try to maintain a balance in the diversity of profiles. Panel members are volunteers with no conflicts of interest, committed as we are to grow the “finance for good” movement.

4.2. Constructivism

As a committed shareholder, ATLAS aims to be actively involved in the life of companies and engage with management teams to improve certain aspects of their governance or of their social and environmental practices.

This dialogue focuses on the company's sustainability ambitions and how they will achieve their goals. Our team seeks to 'constructively engage' with companies either by engaging alone or by building coalitions or participating in investor campaigns on targeted issues, such as climate action or human rights.

If an ESG controversy hits one of our portfolio companies, we use data from our external ESG rating partner, and we will favour direct contact with the company for a better understanding of the issues and optimal capital protection.

4.3. Voting policy

As a committed investor, ATLAS exercises its shareholder's rights, whether through resolutions proposals and/or voting on resolutions at annual shareholders meetings.

Our voting approach is detailed in ATLAS *Voting and Engagement Policy* available on the website.

5. Impact

5.1. ESG performance of the portfolio

We monitor closely the impact performance of our portfolio and publish a yearly report which reflects the ESG quality of our investments and the results of our engagement actions.

ATLAS sets performance indicators for its impact report in relation to the six "environmental objectives" related to Article 9 of the European Taxonomy Regulation, namely: climate change mitigation; adaptation to climate change; sustainable use and protection of water and marine resources; transition to a circular economy; prevention and reduction of pollution; protection and restoration of biodiversity and ecosystems.

These indicators will therefore cover environmental, but also social and corporate governance dimensions, including for example :

- Environment: greenhouse gas emissions; water and energy performance; waste management; impact on biodiversity.
- Social: health and safety; compensation policy; inclusion and diversity policies, respect for human rights in workplace and value chains.
- Governance: remuneration policies; tax policies; composition of governance bodies; business ethics and non-violation of the UN Global Compact Principles and OECD Guidelines for Multinationals.

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In addition, ATLAS includes extra-financial criteria such as exposure to SIGs in its monthly report.

5.2. Certifications, influence and networks

To pursue its mission as a committed player in the service of more sustainable finance, ATLAS is part of several networks of influence and activism to actively contribute to the "finance for good" movement.

ATLAS was one of the first **B Corp** certified alternative investment firms, as a recognition of our mission-driven ethos and unique investment process. Certified B Corporations are a new kind of businesses that balance purpose and profit. They are required to consider the impact of their decisions on their personnel, customers, suppliers, community, and the environment. They form a community of leaders, driving a global movement of engaged people using business as a force for good.

When launching in Paris, ATLAS also adopted the "**société à mission**" model created by the French Law PACTE in 2019. A "société à mission" is defined as a company whose social and environmental objectives are aligned with its "raison d'être" and are set out in its Articles of Association. ATALS raison d'être is : as an active public equity investor, to drive a radical shift toward more inclusive, sustainable and fair capitalism.

ATLAS' strategy is aligned with the 6 principles of the **UN PRI** (United Nations Principles for Responsible Investment), namely :

1. We will take ESG issues into account in the analysis and investment decision processes.
2. We will be active investors and take ESG issues into account in our shareholder policies and practices.
3. We will require the entities in which we invest to publish appropriate information on ESG issues.
4. We will promote the acceptance and application of the Principles among asset management stakeholders.
5. We will work together to increase our effectiveness in implementing the Principles.
6. We will report individually on our activities and progress in implementing the Principles.

In addition, ATLAS is part of the investors community working with the **CDP** to encourage issuers to make their climate commitments public and to have them assessed by external organisations. In addition, ATLAS is committed to contributing to the development of **impact finance**, for example by contributing to the work of "Finance for Tomorrow". The definition of impact finance they propose is "an investment or financing strategy that aims to accelerate the fair and sustainable transformation of the real economy, by providing evidence of its beneficial effects". It is based on the pillars of intentionality, additionality and impact measurement: the contribution of committed asset management companies is essential to define these pillars more precisely.

6. Endowment Fund

We have committed to allocate annually **50% of performance fees** to ATLAS' endowment fund.

This radical commitment translates our ambition to fully align capital with purpose. Through this pledge, our goal is to support social entrepreneurs or philanthropic projects which will make a difference for society or the environment and have measurable impact targets. This value sharing mechanism allows us to double the impact of the investments.

7. Conclusion

Responsible investment is central to ATLAS mission and the team is in a process of continuous improvement to ensure that our investors receive uncompromising performance from a portfolio of companies that are genuinely committed to sustainable development. This policy may be further developed as impact finance practices and regulations evolve.

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Appendix - Definition of the 11 ATLAS Sustainable Investment Goals and correlation with the UN Sustainable Development Goals

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