

Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors 2023

28 June 2024

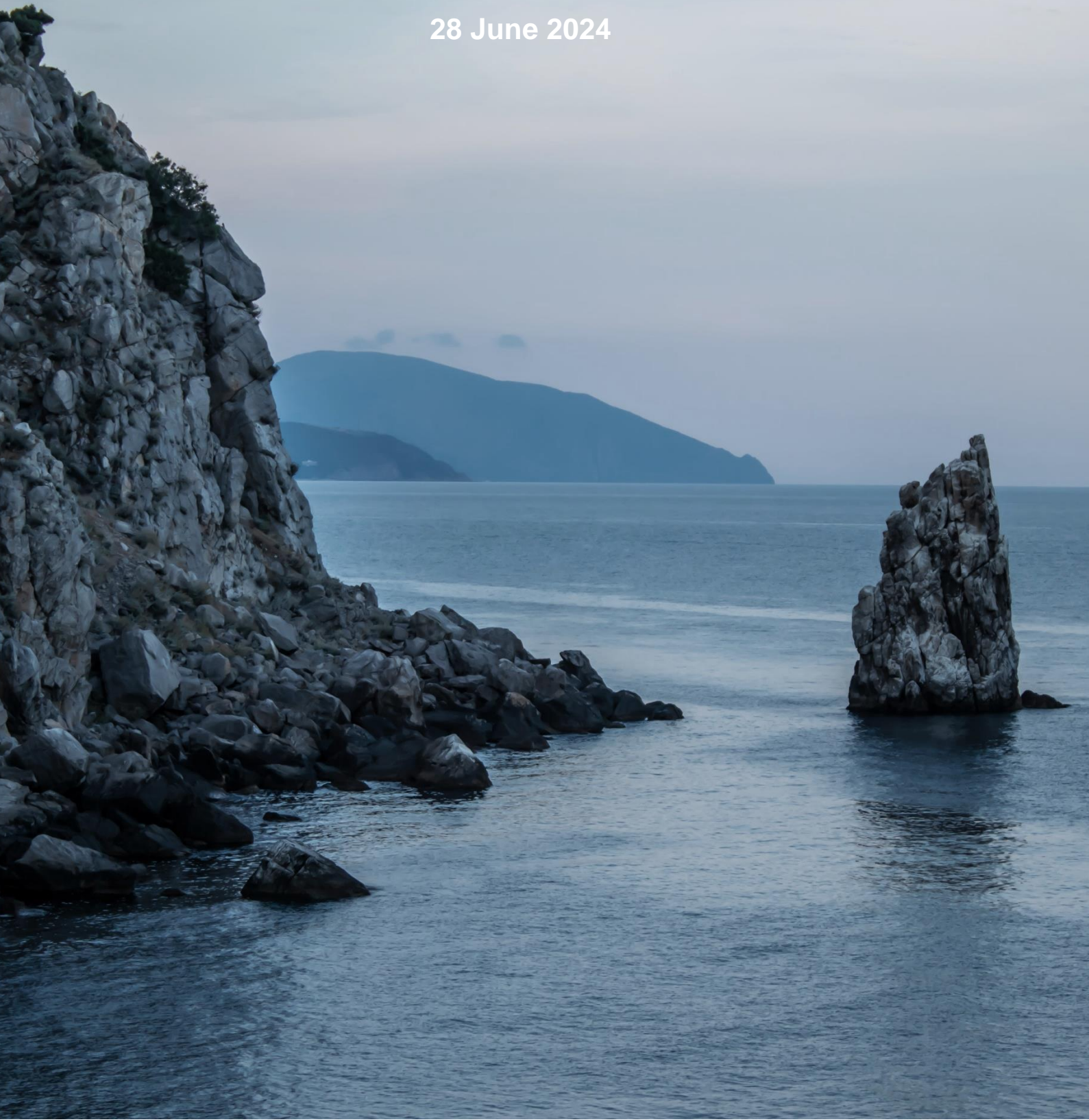


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Summary of the Principal Adverse Impacts

Financial market player: NEW ALPHA ASSET MANAGEMENT SAS

LEI: 695004JBXBCUOSM8238

NEW ALPHA ASSET MANAGEMENT SAS, referred to in this report as NewAlpha AM, considers the principal adverse impacts of its investment decisions on sustainability factors.

This document is the consolidated statement of NewAlpha AM's principal adverse impacts on sustainability factors, and it covers a reporting period from 1 January 2023 to 31 December 2023.

The principle adverse impacts retained are as follows:

Category	PAI
Environment	1. GHG emissions
	2. Carbon footprint
	3. GHG intensity of investee companies
	4. Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production
	6. Energy consumption intensity by sector with high climate impact
	7. Activities with a negative impact on biodiversity-sensitive areas
	8. Emissions to water
	9. Ratio of hazardous and radioactive waste
Social	10. Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises
	11. Lack of compliance processes and mechanisms to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap
	13. Board gender diversity
	14. Exposure to controversial weapons

Description and Hierarchy

For the 2nd year in a row, NewAlpha AM has calculated the 14 mandatory PAIs (Principal Adverse Impacts), as well as two additional indicators, in line with SFDR regulations, one relating to the environment and the other to social issues.

To select these two optional indicators, NewAlpha AM used two criteria: (i) the level of coverage, and (ii) the relevance and connection of the themes to the company's responsible investment approach.

The two indicators chosen by NewAlpha AM are:

Environment: Investments in companies that have not taken initiatives to reduce their carbon emissions

Contributing to climate change mitigation is a key pillar of NewAlpha AM's ESG approach. In addition to monitoring the carbon intensity of its portfolios, NewAlpha AM believes it is important to have a transition perspective and to consider companies that have set targets for reducing their carbon emissions. The coverage of this measure was also an important factor in choosing this optional indicator.

Social: Number of serious human rights issues and incidents identified

The social pillar is a key element of NewAlpha AM's ESG approach. In addition to excluding companies that do not comply with the principles of the United Nations Global Compact (UNGC), NewAlpha AM considered it relevant to monitor serious human rights issues and incidents by selecting this optional PAI. The coverage of this measure was also an important factor in the choice of this indicator.

Hierarchy

NewAlpha AM takes the PAIs into account in its investment processes in 3 different ways:

- **Exclusion policy:** PAI 4, 10, 14
- **ESG analysis (portfolio monitoring using key performance indicators):** PAI 1, 2, 3, 4, 7, 13, 15
- **Dialogue and engagement:** PAI 1, 2, 3, 4, 7, 10, 13, 14, 15, 16

NewAlpha AM recognizes the relevance of the other PAIs not mentioned above. However, they have not yet been considered during the reference period due to low coverage and the constraints of the funds-of-funds structure, where we do not have control over investment decisions.

Scope

The calculations are made for all multi-management equity funds. For 2023, NewAlpha AM did not have the transparency or the necessary data to calculate the PAI indicators for other asset classes.

Coverage

NewAlpha AM has classified the coverage rate of PAI data into the following 3 categories:

Coverage	Coverage rate
Very good	60 - 100%
Average	30 - 60%
Low	<30%

Below is the coverage for each PAI, the source of the data and how the indicator is integrated into the investment process:

Indicators applicable to investments in investee companies				
Climate and other environmental indicators				
Indicators of negative impact on sustainability		Cover	Consideration	Source
Greenhouse gas emissions	1. GHG emissions	Excellent	ESG analysis, dialogue and engagement	Sustainalytics (Morningstar)
	2. Carbon footprint	Excellent	ESG analysis, dialogue and engagement	Sustainalytics (Morningstar)
	3. GHG intensity of investee companies	Excellent	ESG analysis, dialogue and engagement	Sustainalytics (Morningstar)
	4. Share of investments in companies active in the fossil fuel sector	Excellent	ESG analysis, exclusion policy, dialogue and engagement	Sustainalytics (Morningstar)
	5. Share of non-renewable energy consumption and production	Average	-	Sustainalytics (Morningstar)
	6. Energy consumption intensity by sector with high climate impact	Low	-	Sustainalytics (Morningstar)
Biodiversity	7. Activities with a negative impact on biodiversity-sensitive areas	Excellent	ESG analysis, exclusion policy, dialogue and engagement	Sustainalytics (Morningstar)
Water	8. Emissions to water	Low	-	Sustainalytics (Morningstar)
Waste	9. Ratio of hazardous and radioactive waste	Excellent	-	Sustainalytics (Morningstar)
Indicators relating to social issues, employees, respect for human rights and the fight against corruption and bribery				
Social and personnel issues	10. Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises	Excellent	ESG analysis, exclusion policy, dialogue and engagement	Sustainalytics (Morningstar)
	11. Lack of compliance processes and mechanisms to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises	Excellent	-	Sustainalytics (Morningstar)
	12. Unadjusted gender pay gap	Low	-	Sustainalytics (Morningstar)
	13. Board gender diversity	Excellent	ESG analysis, dialogue and engagement	Sustainalytics (Morningstar)
	14. Exposure to controversial weapons	Excellent	ESG analysis, exclusion policy, dialogue and engagement	Sustainalytics (Morningstar)
Optional indicators				
Emissions	15. Investments in companies that have not taken initiatives to reduce their carbon emissions	Excellent	ESG analysis, dialogue and engagement	Sustainalytics (Morningstar)
Social	16. Number of human rights issues and serious incidents identified	Excellent	ESG analysis, dialogue and engagement	Sustainalytics (Morningstar)

Measures Taken and Historical Comparison

The data source used by NewAlpha AM to report on these impacts is Sustainalytics (Morningstar). For some of the PAI indicators, NewAlpha AM notes a poor availability of data, which results in insufficient coverage rates for an analytical review. Below is a historical comparison:

Indicators applicable to investments in companies				
<i>Climate and other environmental indicators</i>				
Indicators of negative impact on sustainability		Measuring element	2022 Indicator	2023 Indicator
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions in tonnes of CO2 equivalent	4 770.85	3 330.51
		Scope 2 GHG emissions in tonnes of CO2 equivalent	1 424.44	1 894.21
		Scope 3 GHG emissions in tonnes of CO2 equivalent	21 363.71	42 755.06
	2. Carbon footprint	Carbon footprint in tonnes of CO2 equivalent per million euros invested	74.3	45.13
	3. GHG intensity of investee companies	GHG intensity of investee companies	132.12	67.77
	4. Share of investments in companies active in the fossil fuel sector	Share of investment in companies active in the fossil fuel sector (%)	3.95%	3.42%
	5. Share of consumption and production of non-renewable energy	Share of energy consumption and production of investee companies that comes from non-renewable energy sources, compared with that from renewable energy sources, expressed as a percentage of total energy sources (in %)	63.85%	57.23%
Biodiversity	7. Activities with a negative impact on biodiversity-sensitive areas	Share of investments made in companies with sites/establishments located in or near biodiversity-sensitive areas, if the activities of these companies have a negative impact on these areas (expressed as a %)	4.06%	2.57%
		6. Energy consumption intensity by sector with high climate impact	Energy consumption in GWh per million euros of turnover of investee companies, by sector with high climate impact	0.64
Water	8. Emissions to water	Tonnes of water discharges from investee companies, per million euros invested, on a weighted average basis	0.15	0.07
Waste	9. Ratio of hazardous and radioactive waste	Tonnes of hazardous waste and radioactive waste produced by investee companies, per million euros invested, on a weighted average basis	0.6	0.7
<i>Indicators relating to social issues, employees, respect for human rights and the fight against corruption and bribery</i>				
Social and personnel issues	10. Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises	Share of investment in companies that have been involved in breaches of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises (expressed as a %)	0.07%	0.04%

	11. Lack of compliance processes and mechanisms to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises	Share of investments in companies that do not have a policy for monitoring compliance with the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises, or mechanisms for handling complaints or remedying such violations (expressed as a %)	37.29%	29.25%
	12. Unadjusted gender pay gap	Average unadjusted pay gap between men and women in investee companies (expressed as a monetary amount converted into euros)	6.30	9.64
	13. Board gender diversity	Average ratio of women to men in the governance bodies of the companies concerned, as a percentage of the total number of members	39.05	36.53
	14. Exposure to controversial weapons	Share of investment in companies involved in the manufacture or sale of controversial weapons (expressed as a %)	0%	0%
Optional indicators				
Emissions	15. Investments in companies that have not taken initiatives to reduce their carbon emissions	Share of investment in companies that have not taken initiatives to reduce their carbon emissions in order to comply with the Paris Agreement (%)	44.84%	29.44%
Social	16. Number of human rights issues and serious incidents identified	Number of serious human rights issues and incidents identified in relation to investee companies, based on a weighted average	0.39	0.22

In terms of **carbon metrics**, carbon intensity and footprint are lower than last year, although absolute emissions from scopes 2 and 3 have increased. Overall coverage of the carbon indicators has increased, but coverage for PAI 6 “Energy consumption intensity by sector with high climate impact” remains too low to draw any conclusions. In terms of measures taken, although NewAlpha AM has not yet set emission reduction targets, discussions will be held with the funds that have seen the biggest increase in absolute emissions since last year.

Activities with a negative impact on **biodiversity** decreased from last year, although the coverage rate also fell slightly. NewAlpha AM has not yet set targets in this area but is monitoring the indicator and may have discussions with the underlying funds.

For the PAI concerning **discharges into water**, the coverage of this indicator is too low (less than 10%) to give rise to any interpretation.

Regarding PAI 9, **the ratio of hazardous and radioactive waste**, the coverage rate for this measure has increased considerably and the ratio remains very low.

For PAIs dealing with **social and personnel issues**, there has been an overall progress in the right direction from one year to the other; coverage of the "gender pay gap" indicator remains too low to draw any conclusions. NewAlpa AM has not yet set targets on these issues but remains attentive to the exposures of the underlying funds.

Concerning the **two optional PAIs**, for the PAI "Investments in companies that have not taken initiatives to reduce their carbon emissions", there has been progress in the right direction; this is a subject that

NewAlpha AM follows closely, mainly through the percentage of companies that have set targets with the SBTi ; for the PAI "Number of serious human rights issues and incidents identified", there has also been progress in the right direction and this is also a subject that NewAlpha AM is closely monitoring, by looking for serious controversies in its portfolios as well as companies that have violated the UNGC guidelines.

Engagement Policy

NewAlpha AM considers engagement to be an integral part of a responsible approach.

During 2023, in terms of responsible investment and analysis of the PAIs, engagements with the underlying asset management companies focused on compliance with **the exclusion policy** (PAI 4, 10, 14), **monitoring controversies** (PAI 10, 16), and **dialogue on carbon emissions/exposure to fossil fuels** (PAI 1, 2, 3, 4, 15), **biodiversity** (PAI 7) and **gender equality** (PAI 13).

More details are available on the 2023 Climate Report (Article 29 LEC), available on the Management Company's website at the following address:

[https://www.la-francaise.com/fileadmin/docs/demarche_responsable/XX3743 - Article 29-juillet 2024 VF.pdf](https://www.la-francaise.com/fileadmin/docs/demarche_responsable/XX3743_-_Article_29-juillet_2024_VF.pdf)

Reference to International Standards

NewAlpha AM is committed to supporting the development of sustainable finance and supporting initiatives in line with its convictions.

In October 2017, NewAlpha AM signed the "Principles for Responsible Investment" (UN PRI). In addition to the PRI, the Management Company refers to the following international standards:

- The Paris Agreement
- The United Nations Global Compact
- The OECD Guiding Principles
- The Ottawa Convention and the Oslo Treaty.

As a fund of funds manager, NewAlpha AM encourages the management companies managing the selected investment vehicles to commit to various initiatives and charters that it considers essential, for example:

- TCFD
- CDP
- Climate Action 100+
- NZAMi
- SBTi
- IIGCC
- TNFD
- Nature Action 100
- Finance for Biodiversity Pledge

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