

STATEMENT ON THE PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

Financial market participant : Axiom AI, LEI : 969500QVL977C8L8Q834

Summary

Axiom AI takes considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Axiom AI.

This statement on principal adverse impacts on sustainability factors covers the reference period from January 1, 2023, to December 31, 2023.

Axiom AI recognises the asset management industry's responsibility to limit the negative impact, whether direct or indirect, on environmental and social factors through its investment decisions. The Sustainable Finance Disclosure Regulation (SFDR) aims to capture these impacts through indicators of Principal Adverse Impacts (PAI).

This year, we have increased the coverage of our Principal Adverse Impact (PAI) calculations by incorporating data from Article 8 and 9 funds in which our funds invest, as well as by using data from an additional data provider. As a result, some indicators have changed significantly, particularly those related to greenhouse gas emissions. Indeed, with the integration of fund-level data, scope 3 emissions have tripled, which has significantly impacted the results for carbon footprint and GHG intensity (PAI 1, 2 and 3).

The increase in data coverage and quality resulted in more negative values for the following PAIs: PAI 5 (non-renewable energy consumption and production), 7 (biodiversity), 9 (waste), 11 (lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises) and 12 (gender pay gap).

Four PAIs showed a decrease due to our reduced exposure to companies in the real economy: Scope 1 GHG emissions (PAI 1), fossil fuel exposure (PAI 4), energy intensity by sector with high climate impact (PAI 6) and the share of companies that our data provider considers having violated the principles of the UN Global Compact and the OECD Guidelines (PAI 10).

Finally, for two PAIs, the primary driver of improvement has been corporate performance. These are PAI 13 (gender diversity in governance bodies) and voluntary PAI 4 (Investments in companies without carbon emission reduction initiatives).

As mentioned in our previous report, we have selected a new voluntary PAI focused on social aspects, as data quality for the previous one remained insufficient.

i. Description of the principal adverse impacts on sustainability factors

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES						
Adverse sustainability indicator	Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Climate and other environmental indicators						
Greenhouse gas emissions	1. GHG emissions (tons CO2e)	Scope 1 GHG emissions	5 666	8 044	Scope 1 emissions (excluding the fund's exposure) were halved, firstly due to a reduction in the portfolio's exposure to the most carbon-intensive companies, and secondly due to a decrease in emissions from the companies that remained in the portfolio. In the case of Scope 2, the reduction in company emissions had a greater impact on the PAI's decrease than changes in exposure. This is also the case for Scope 3 emissions, which would actually decrease by 14% if the emissions of investments in money market funds were not included in 2022. These funds account for 75% of the total Scope 3 emissions.	<p>General approach : Axiom AI is committed to contributing to the objectives of the Paris Agreement. Our journey began with our first ESG/Climate fund, Axiom Climate Financial Bond, which has a decarbonisation target in line with the Paris Agreement, based on an Implied Temperature Rise (ITR) target. This ITR methodology aims to estimate banks' loan portfolios. Our aim is to integrate climate considerations into all our Article 8 and 9 SFDR funds and mandates.</p> <p>Engagement : Axiom AI engages on climate-related topics with global systemically important banks in Europe through collective and bilateral dialogue, and with small and medium-sized banks through bilateral dialogue. We are a member of the Institutional Investors Group on Climate Change and participate in their Net Zero working group on</p>
		Scope 2 GHG emissions	2 424	2 734		
		Scope 3 GHG emissions	76 594	22 085		
		Total GHG emissions	87 117	32 864		
	2. Carbon footprint (tons CO2e/m EUR)	Carbon footprint	53	16		
	3. GHG intensity of investee companies (tons CO2e/m EUR)	GHG intensity of investee companies	98	51		

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse sustainability indicator		Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
	4. Exposure to companies active in the fossil fuel sector (%)	Share of investments in companies active in the fossil fuel sector	0,2	0,5	Exposure to fossil fuel companies was reduced by more than half due to portfolio managers' decision to decrease their positions in these companies and the liquidation of our Long Short Credit fund.	<p>engagement with banks. In terms of proxy voting, Axiom AI supports shareholder proposals that require companies to prepare and plan for climate change mitigation or set decarbonisation targets. However, such proposals are relatively rare in the financial institutions sector.</p> <p>Exclusions : Axiom AI's exclusion policy covers the exclusion of activities with a significant negative impact on the climate (e.g. thermal coal, conventional and unconventional oil and gas).</p> <p>Next reference period : In 2024, we anticipate that three factors will lead to a reduction in GHG emissions :</p> <ol style="list-style-type: none"> Changes in the strategy of some of our funds which will lead to a reduction in exposure to companies in the real economy. Reinforcing coal and oil and gas exclusion policy. Reduction of the greenhouse gas emissions of our portfolio companies.
	5. Share of non-renewable energy consumption and production (%)	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	36,9	15,8	The PAI more than doubled due to improved data quality and increased coverage.	
	6.a. Energy consumption intensity per high-impact climate sector - NACE A	Energy consumption in GWh per million EUR of revenue of investee companies, per	0	0	The PAI decreased across all sectors except those under NACE code H, primarily due to reduced exposure to companies with higher energy consumption	
	6.b. Energy consumption intensity per high-impact climate sector - NACE B		0	0		

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse sustainability indicator		Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
	6.c. Energy consumption intensity per high-impact climate sector - NACE C	high impact climate sector	0,2	0,7	compared to financial firms, followed by a reduction in energy consumption by most companies that remained in the portfolio.	In 2024, we will also strive to increase the coverage of Scope 3 category 15 emissions from financial institutions.
	6.d. Energy consumption intensity per high-impact climate sector - NACE D		0,01	0,1		
	6.e. Energy consumption intensity per high-impact climate sector - NACE E		0	0		
	6.f. Energy consumption intensity per high-impact climate sector - NACE F		0,01	0		
	6.g. Energy consumption intensity per high-impact climate sector - NACE G		0,6	0,9		
	6.h. Energy consumption intensity per high-impact climate sector - NACE H		0,2	0		
	6.i. Energy consumption intensity per high-impact climate sector - NACE L		0,3	0,9		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas (%)	Share of investments in investee companies with sites/operations located in or near to biodiversity-	3%	0,2%	The increase in the indicator is mainly due to expanded coverage from the data provider. Coverage remains limited, and it is expected to continue improving over time	General approach: Biodiversity is taken into account in Axiom AI's ESG approach in two ways: 1. For companies in the real economy for which biodiversity is a material sustainability factor, our ESG rating takes into account their operations in

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES						
Adverse sustainability indicator		Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
		sensitive areas where activities of those investee companies negatively affect those areas				<p>areas of importance for biodiversity and their policies or commitments to preserving biodiversity. However, we have noted that the data available on this indicator is limited.</p> <p>2. For financial institutions, through our ACRS rating through a review of our lending/investment policies in 3 sectors highly exposed to biodiversity controversies: palm oil, forestry/pulp and agriculture. Low quality or no policies will result in a lower ACRS score.</p> <p>Next reporting period: In 2023, we carried out the first exercise to understand the biodiversity dependencies and impacts of our portfolio companies. This was a top-down exercise based on sectoral exposure. The analysis showed that around 37% of our investments in real economy companies, or around 1% of our total investments, are in sectors with high exposure to biodiversity dependencies and impacts. These results were expected as our exposure to real economy companies is very low. Given our low exposure, we will examine whether this PAI can be managed through a more robust biodiversity exclusion policy.</p>

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse sustainability indicator		Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Water	8. Emissions to water	Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0,00034	0,006	The decrease in the indicator is primarily due to reduced exposure to real economy companies, however data coverage for this indicator has not significantly increased.	<p>General approach: Water consumption is taken into account in the ESG ratings of companies in the financial and non-financial sector. The absence of published data will result in a lower ESG rating. However, the data available on this indicator is limited.</p> <p>Next reference period: Given our low exposure to companies in the real economy and the value of the PAI, we have removed the management priorities from this PAI and are now focusing on companies for which we have a more negative impact.</p>
Waste	9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0,05	0,04	The slight increase in the PAI is mainly attributed to expanded coverage from our data provider, coupled with a small rise in the indicator for certain portfolio companies which offset the decrease from others.	<p>General approach: Waste disposal is taken into account in the ESG ratings of companies in the financial and non-financial sector. The absence of published data will result in a lower ESG rating. However, the data available on this indicator is limited.</p> <p>Next reference period : Given our low exposure to companies in the real economy and the PAI value, we have removed the PAI's management priorities to focus on companies where we have a more negative impact.</p>

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse sustainability indicator	Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (%)	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	2,1	4,4	<p>The decrease in this index is primarily due to reduced exposure to real economy companies. Only one company previously identified by our data provider as violating the UNGC or OECD Guidelines in 2022 is no longer flagged in 2023.</p> <p>It is worth noting that the evaluation by the data provider includes elements from the International Labour Organization conventions.</p>	<p>General approach: Axiom AI's approach to responsible investment is guided by international standards such as the United Nations Global Compact principles and the OECD Guidelines for Multinational Enterprises to assess corporate behaviour.</p> <p>Exclusions : Our Article 8 funds are subject to prescriptive exclusions from companies that have been implicated in violations of UNGC principles. Exclusions are guided by the exclusion list of the Norwegian government, recommended by the Norwegian Ethics Council. Our Article 9 fund has a specific exclusion list of additional companies. These companies are selected on the basis of our controversies database of financial institutions.</p> <p>Next reference period: We have carried out a benchmarking exercise with our peers showing that our exposure to this PAI is below average, therefore we will continue to monitor our exposure on an annual basis.</p>

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse sustainability indicator	Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (%)	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	25,6	4,2	<p>This indicator is based on the evaluation of 10 different policies related to UNGC themes, with Axiom AI setting a minimum threshold of 5 to qualify a company as having sufficient policies. According to our data provider, only a handful of companies lack any policies.</p> <p>The increase in the indicator is mainly due to expanded data coverage, a decrease in the scores of certain portfolio companies, and new investments with scores below our threshold.</p>	<p>General approach: As a complement to PAI 10, this PAI tracks the proportion of investments in companies that do not have processes and compliance mechanisms in place to assess compliance with the UNGC principles and the OECD Guidelines for Multinational Enterprises. This monitoring is carried out for all assets managed using data from a third-party data provider.</p> <p>Next reference period: The peer comparison showed us that our exposure to this indicator is below average, but this was expected as the threshold we set is quite high. We will continue to monitor the indicator and link any action to the results of performance indicator 10.</p>
12. Unadjusted gender pay gap (%)	Average unadjusted gender pay gap of investee companies	19,7%	19,1%	The indicator slightly increased, primarily due to improved data quality provided by our data provider.	<p>General approach: The gender pay gap is taken into account in companies' ESG scores. The absence of published data results in a lower ESG score.</p> <p>Next reference period: This PAI will continue to be monitored, but no specific targets have been set, as there are still inconsistencies in the data.</p>

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES					
Adverse sustainability indicator	Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
13. Board gender diversity (%)	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	35%	31%	The indicator showed a positive trend as existing portfolio companies increased their proportion of women, and newly added companies had, on average, a higher proportion of women compared to those that exited the portfolio.	<p>General approach: Gender diversity indicators are taken into account in companies' ESG scores. The absence of published data results in a lower ESG rating.</p> <p>Proxy voting: Axiom AI votes against the re-election or election of male directors in companies where the proportion of women on the board is below 30% and which have not set diversity targets.</p> <p>Next reference period : This PAI will continue to be monitored; no specific objectives have been set because the indicator is higher than that of our peers</p>

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse sustainability indicator	Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (%)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	0%	No change was observed as expected, due to the application of our exclusion policy.	<p>General approach/exclusions: Axiom AI considers the following weapons to be controversial: anti-personnel mines, cluster munitions, chemical and biological weapons, blinding laser weapons and undetectable fragments, depleted uranium, incendiary weapons and nuclear weapons.</p> <p>The exclusion applies to companies that are involved in i.) the manufacture of weapons components intended solely for use in production and which are essential to the operation of these weapons, or ii.) which provide products and/or services such as the storage and transfer, and sale of controversial weapons. These companies are excluded from the investments of our "Long only" funds.</p> <p>Next reference period : Our share of investments in this PAI is 0% and will continue to be so as we continue to apply our policy of exclusion.</p>

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

Adverse sustainability indicator		Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environment	15. GHG Intensity	GHG intensity of investee countries	429	405	The indicator slightly increased, with half of the countries showing a small rise in their GHG intensity	<p>General approach/exclusion : Axiom AI does not have fund strategies focused on investments in sovereign debt, thus our exposure is very limited. Axiom AI restricts sovereign debt investments to countries that fall within the top quartile of the UN SDG Country Index¹. These countries are typically developed nations with lower GHG intensity than developing countries due to their higher GDP.</p> <p>Next reference period: Monitoring of this PAI will continue, but no specific target has been set as the data for the 2022 reference period only stabilized at the end of May 2023. We will conduct a peer comparison exercise to determine the best way to manage this PAI.</p>
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0%	0%	No change compared to the previous period, as our exposure to this indicator is limited by our country policy	<p>General approach/exclusion: Since Axiom AI restricts sovereign debt investments to countries within the top quartile of the UN SDG Country Index, these countries are generally not subject to social violations as outlined in international treaties and conventions and the principles of the United Nations.</p> <p>Next reference period: Our share of investments in this PAI is 0% and will continue to be so as we continue to apply our policy of exclusions.</p>

¹ <https://dashboards.sdgindex.org/rankings>

INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS						
Adverse sustainability indicator		Metric	Impact [2023]	Impact in [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	NA	NA	NA	Axiom AI has no exposure to real estate assets.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	NA	NA	NA	Axiom AI has no exposure to real estate assets.

ADDITIONAL CLIMATE AND OTHER ENVIRONMENTAL-RELATED FACTORS

Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	11%	15%	The indicator has improved slightly, as more of the companies in our portfolio have introduced decarbonisation initiatives/actions.	During this first reference period, the main actions were devoted to estimating and monitoring the indicator. The result is fairly positive. In 2023, we will assess whether it is possible to engage with some of the emitters that have not taken initiatives to reduce emissions.

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability indicator		Metric	Impact [2023]	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption (%)	0,14%	NA	NA	Unfortunately, we found that data coverage was very poor. That is why, in 2024, we replaced this voluntary indicator with a new one. The new indicator, "Number of convictions and fines for breaches of anti-corruption legislation and acts of corruption", is relevant to companies in the financial sector, but with better coverage of the most vulnerable sectors.

ii. Description of policies to identify and prioritise the main adverse impacts on sustainability factors

Identification. The SFDR has defined a series of mandatory and voluntary indicators intended to measure the degree of adverse impacts that asset management companies may have on the environment and society through their investments in companies and states.

Axiom AI's process for identifying the materiality of these PAIs was carried out in two steps. First, we compared the performance indicators to our responsible investment policy. This process identified the indicators already taken into account, directly or indirectly, and the impact of these policies on limiting adverse impacts. It also highlighted indicators where policies were either missing or could be improved.

The second step involved quantifying the indicators, which also included sourcing data from different providers. While data providers were selected in 2021/2022, several adjustments were made to the datasets over the year and up to May 2023. Some changes were made following clarifications provided by the European Commission. As a result, we could only gain an accurate view of entity-level PAIs by June 2023.

Prioritization. The ESG Committee is the body with overall responsibility for defining the prioritization of PAIs at the entity and fund levels, as well as for identifying policies that need to be improved or implemented to reduce the adverse impacts of our investments. An initial prioritization was carried out in 2022 through the selection of fund-level PAIs for our Article 8 and Article 9 funds. This prioritization primarily considered the materiality of PAIs for companies in the financial sector, the primary sector in which Axiom AI invests.

In 2023, we established more detailed rules on how PAIs would be integrated to apply the SFDR's "do no significant harm" principle. Prioritization was thus conducted to define exclusion thresholds based on the materiality of the PAI. A summary is provided below:

- PAI 1 (Absolute GHG emissions): We ensure that companies do not significantly increase their GHG emissions year-over-year, especially those with the highest absolute GHG emissions within their sector.
- PAI 3 (GHG intensity): Companies must not display extreme values.
- PAI 4 (Companies active in the fossil fuel sector): No company in the fossil fuel sector can be considered a sustainable investment.
- PAI 5 (Share of non-renewable energy consumption and production): A company must not display extreme values.
- PAI 6 (Energy consumption intensity per high climate impact sector): No company active in these sectors can be considered a sustainable investment.
- PAI 10 (Violations of the UN Global Compact principles and OECD Guidelines for Multinational Enterprises): Companies must not violate these principles.
- PAI 11 (Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises): Companies must have implemented a minimum number of policies aligned with these two market standards.
- PAI 12 (Unadjusted gender pay gap): Companies must not show extreme values for the unadjusted gender pay gap.
- PAI 13 (Gender diversity in governance bodies): Companies must have at least 20% representation of women in governance bodies.
- PAI 14 (Exposure to controversial weapons): Companies must not engage in activities directly linked to manufacturers of controversial weapons or their component and service suppliers.

Although our data providers improved their coverage in 2023, we still lack data for several companies regarding PAI 7 (activities negatively affecting biodiversity-sensitive areas), PAI 8 (emissions to water), and PAI 9 (hazardous and radioactive waste ratio). However, these indicators are not material for companies classified as sustainable investments, which, for now, consist only of banks and insurers.

iii. Engagement Policy

Axiom AI engages with systemically important European banks on climate-related topics through both collective and individual engagement, and with small and medium-sized banks via bilateral engagement. We are members of the Institutional Investors Group on Climate Change and participate in the Net Zero working group focused on banks engagement. This approach may influence indicators PAI 1 to 3; however, we cannot establish a direct causal link due to insufficient evidence.

In terms of proxy voting, Axiom AI's policy is to vote against the re-election or election of male directors at companies where women comprise less than 30% of the board and where no diversity targets have been set. Given Axiom AI's limited influence on its equity issuers, we cannot confirm that this policy impacts the PAI 13 indicator.

iv. References to international standards

Axiom AI participates in international and national initiatives promoting sustainable development in the financial sector. We have been members of the Principles for Responsible Investment since 2016, joined the Institutional Investors Group on Climate Change in 2021, and became members of the CDP in 2022.

We believe in the importance of the financial sector's contribution to the objectives of the Paris Agreement. Details of our approach can be found in Section I.F. of our climate report.