

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

2023

Principal Adverse Impact (PAI)

Publication Date: June 30, 2024

In accordance with Article 4 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27/11/2019 on sustainability - related disclosures in the financial services sector.



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I – Summary

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

ELLIPSIS ASSET MANAGEMENT - 969500DEKQHM09GPQM16

This statement is made in accordance with Article 4 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter referred to as the “SFDR Regulation”). It aims to describe the due diligence policies regarding adverse impacts implemented by the management company Ellipsis Asset Management at the entity level.

This document is the consolidated statement regarding the principal adverse impacts on sustainability factors of Ellipsis AM. The statement covers the reference period from January 1 to December 31, 2023. Under this statement, the principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors related to environmental, social, and employee matters, respect for human rights, and anti-corruption.

To maintain a consistent approach between the Energy-Climate Law report and the calculation of adverse impacts, Ellipsis AM has adopted the same management scope: portfolios classified under Article 8 – SFDR and mandates with an integrated ESG approach. Specifically, this covers the Fixed Income scope (i.e., 100% of convertible and credit portfolios under management) and the OPC Ellipsis Optimal Solutions – Liquid Alternative. The results are communicated based on the same covered assets in the denominator of the indicators. For each adverse impact, the coverage rate with the distribution between estimated and reported data is indicated.

For the calculation of Principal Adverse Impacts, Ellipsis AM relies on a single data provider, Clarity AI. For this initial statement, there is a margin of error due to low coverage rates, which is explained by the unavailability of several indicators. To partially address this lack of data, Clarity AI sometimes uses estimated data. The implementation of the CSRD directive is expected to increase coverage rates in the coming years, alongside the development of a data history, allowing for in-depth monitoring of adverse impacts and better integration into Ellipsis AM's ESG approach.

Consult our Energy-Climate Law report: https://www.ellipsis-am.com/publication/ComplianceDoc/En_Report-LEC-Ellipsis-AM.pdf

Description of the Principal Adverse Impacts on Sustainability Factors: see tables on the following pages.

The first historical comparison will be provided in the 2024 statement by June 30, 2025.



II/ Indicators applicable to investments in companies

Adverse sustainability impact indicator		Measurement element	2023 impacts	2022 impacts	Coverage & source estimated / reported (cf. Clarity AI)	Measures taken, planned measures, and targets for the next reference period
A. Climate indicators and other environment-related indicators						
Greenhouse Gas emissions	1. GHG emissions	Scope 1 GHG emissions	52 575.11 tCO2e	N/A	Coverage 86.52% Estimated 16.03% Reported 83.97%	These climate indicators are periodically calculated for our convertible and credit portfolios and their benchmarks through our provider Clarity AI. They are available to management and risk control teams and can be requested by investors at client_service@ellipsis-am.com .
		Scope 2 GHG emissions	9 988.89 tCO2e	N/A	Coverage 86.52% Estimated 16.03% Reported 83.97%	
		Scope 3 GHG emissions	416 131.10 tCO2e	N/A	Coverage 86.18% Estimated 38.96% Reported 61.04%	
						As part of the ESG integration process, this KPI is included in the Environmental pillar of the Sustainability scoring model used by management for issuer analysis.

		Total 3 GHG emissions	475 826.75 tCO2e	N/A	Coverage 86.07% <i>Estimated 38.12%</i> Reported 61.88%	The monitoring of controversies through Sustainalytics can also raise alerts on issuers concerning incidents related to these climate indicators.
	2. Carbon footprint	Carbon footprint	619.49 tCO2e / M€ invested	N/A	Coverage 86.07% <i>Estimated 38.12%</i> Reported 61.88%	<i>*Sustainalytics research considers a broad range of material ESG issues evaluated through a list of underlying indicators aligned with the subjects/objectives of PAIs – SFDR. These form the framework for analyzing and calculating the ESG Risk Ratings of the evaluated companies.</i>
	3. GHG intensity of investee companies	GHG intensity of investee companies	912.88 tCO2e / M€ CA	N/A	Coverage 86.16% <i>Estimated 38.06%</i> Reported 61.94%	
	4. Exposure to companies active in the Fossil Fuel sector	Share of investments in companies active in the Fossil Fuel sector	7.79%	N/A	Coverage 87.56% <i>Estimated 0%</i> Reported 100%	
	5. Share of Non-Renewable Energy consumption and production	Share of energy consumption and production of investee companies from Non-Renewable Energy sources compared to Renewable Energy sources, expressed as a percentage of Total Energy sources	Consumption: 61.32% Production: 61.16 %	N/A	Coverage 80.27% Coverage 67.32%	See response 1-2-3 Specific Sectoral Exclusion Policy Related to Coal and Unconventional Hydrocarbons: https://www.ellipsis-am.com/publication/ComplianceDoc/En_Politique-exclusion.pdf Calculation of Adverse Impact Indicators (PAI) on Convertible & Credit Funds and Their Benchmarks through Our provider Clarity AI.



	6. Energy consumption intensity by sector with high climate impact	Energy consumption in GWh per million euros of revenue of investee companies, by sector with High Climate Impact	<p>Total: 0.43860334 GWh / M€ CA</p> <p>NACE A: 0.18 GWh / M€ CA</p> <p>NACE B: 1.02GWh / M€ CA</p> <p>NACE C: 0.17 GWh / M€ CA</p> <p>NACE D: 1.32 GWh / M€ CA</p> <p>NACE E: 0.44 GWh / M€ CA</p> <p>NACE F: 0.30 GWh / M€ CA</p> <p>NACE G: 0.020 GWh / M€ CA</p> <p>NACE H: 1.84 GWh / M€ CA</p> <p>NACE L: 0.30 GWh / M€ CA</p>	N/A	<p>Coverage 88.67% <i>Estimated 18.51%</i> Reported 81.49%</p> <p>Coverage 94.29% <i>Estimated 10%</i> Reported 90%</p> <p>Coverage 57.28% <i>Estimated 31.13%</i> Reported 68.87%</p> <p>Coverage 89.75% <i>Estimated 8.65%</i> Reported 91.35%</p> <p>Coverage 99.73% <i>Estimated 33.7%</i> Reported 66.3%</p> <p>Coverage 99.57% <i>Estimated 7.14%</i> Reported 92.86%</p> <p>Coverage 99.19% <i>Estimated 31.58%</i> Reported 68.42%</p> <p>Coverage 90.61% <i>Estimated 19.77%</i> Reported 80.23%</p> <p>Coverage 98.15% <i>Estimated 13.33%</i> Reported 86.67%</p> <p>Coverage 96.61% <i>Estimated 19.85%</i> Reported 80.15%</p>	
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Biodiversity	7. Activities with a negative impact on biodiversity-sensitive areas	Share of investments in companies with sites/facilities located in or near biodiversity-sensitive areas, if the activities of these companies have a negative impact on these areas	0.40%	N/A	Coverage 84.22% Clarity AI uses natural language processing (NLP) models to identify violations of this PAI. All controversies considered potential violations by the NLP models are then reviewed by our analysts.	See response 1-2-3 Specific sectoral exclusion policy related to biocides starting in 2024 on Convertible & Credit funds: https://www.ellipsis-am.com/publication/Compliance-Doc/En-Politique-exclusion.pdf
Water	8. Water emissions	Tonnes of water emissions from investee companies, per million euros invested, weighted average	0.00032 t / M€ invested	N/A	Coverage 28.21% <i>Estimated 86.45%</i> Reported 13.55%	Calculation of Adverse Impact Indicators (PAI) on Convertible & Credit funds and their benchmarks through our provider Clarity AI.
Waste	9. Ratio of hazardous and radioactive waste	Tonnes of hazardous and radioactive waste produced by investee companies, per million euros invested, weighted average	15.64 t / M€ invested	N/A	Coverage 86.18% <i>Estimated 51.59%</i> Reported 48.41%	Monitoring of controversies via Sustainalytics, which can raise alerts on issuers concerning incidents related to these climate indicators.

B. Indicators Related to Social and Employee Matters, Respect for Human Rights, and Anti-Corruption and Anti-Bribery

Adverse sustainability impact indicator		Measurement element	2023 impacts	2022 impacts	Coverage & source estimated / reported (cf. Clarity AI)	Measures taken, planned measures, and targets for the next reference period
Social and employee matters	10. Violations of the UN Global Compact Principles and OECD Guidelines for Multinational Enterprises	Share of investments in companies involved in violations of the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises	7.50 %	N/A	Coverage 84.22% Clarity AI uses natural language processing (NLP) models to identify violations of this PAI. All controversies considered potential violations by the NLP models are then reviewed by our analysts.	Calculation of Adverse Impact Indicators (PAI) on Convertible & Credit funds and their benchmarks through our provider Clarity AI. Monitoring of controversies via Sustainabilitytics, which can raise alerts on issuers concerning incidents related to these climate indicators.
	11. Lack of processes and compliance mechanisms to monitor adherence to the UN Global Compact Principles and OECD Guidelines for Multinational Enterprises	Share of investments in companies without policies to monitor adherence to the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises, nor mechanisms for handling complaints or disputes to address such violations	0.04 %	N/A	Coverage 90.96% <i>Estimated 0%</i> Reported 100%	In 2024, Ellipsis AM commits to partial monitoring and exclusion of issuers based on their compliance with UN and OECD guidelines: our convertible & credit portfolios aim for a 90/95% alignment with these guidelines. More broadly, Ellipsis AM conducts enhanced vigilance on companies held in portfolios identified by Clarity AI as violating the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.



	12. Unadjusted gender pay gap	Average unadjusted gender pay gap in investee companies	8.56 %	N/A	Coverage 56.16% <i>Estimated 0%</i> Reported 100%	<p>These climate indicators are periodically calculated for our convertible and credit portfolios and their benchmarks through our provider Clarity AI. They are available to the management and risk control teams and can be requested by investors at client_service@ellipsis-am.com.</p> <p>As part of the ESG integration process, this KPI is included in the Social and Governance pillar of the Sustainalytics* scoring model used by the management for issuer analysis.</p> <p>Monitoring controversies via Sustainalytics can also trigger alerts on issuers concerning incidents related to these social and governance indicators.</p> <p><i>*Sustainalytics research takes into account a wide range of material ESG issues evaluated through a list of underlying indicators aligned with the topics/objectives of the PAIs – SFDR: they form the framework for the analysis and calculation of ESG Risk Ratings for the assessed companies.</i></p>
	13. Diversity within governance bodies	Average female-to-male ratio within the governance bodies of the concerned companies, as a percentage of the total number of members	39.50 %	N/A	Coverage 91.33% <i>Estimated 0%</i> Reported 100%	



	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, or biological weapons)	Share of investment in companies involved in the manufacturing or sale of controversial weapons	0 %	N/A	Coverage 91.3% <i>Estimated 0%</i> Reported 100%	In accordance with the ESG investment policy and the Oslo and Ottawa conventions, Ellipsis AM prohibits investing in securities/instruments issued by companies involved in the design, construction, marketing, and storage of cluster munitions and anti-personnel mines. Therefore, no investments have been made in companies involved in controversial weapons.
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C. Indicators applicable to investments in sovereign or supranational issuers

Adverse sustainability impact indicator		Measurement element	2023 impacts	2022 impacts	Coverage & source estimated / reported (cf. Clarity AI)	Measures taken, planned measures, and targets for the next reference period
Environment	15. GHG intensity	GHG intensity of investment countries	304.69 t CO ₂ e / M€ PIB	N/A	Coverage 100% <i>Estimated 100%</i> Reported 0% No investments in sovereign or supranational issuers	N/A
Social	16. Investment countries experiencing violations of social standards	Number of investment countries experiencing violations of social standards (in absolute terms and as a proportion of the total number of beneficiary countries of investments), according to international treaties and conventions, United Nations principles, or, where applicable, national law.	Relative: 0 % Absolute: 0%	N/A	Coverage 100% <i>Estimated 0%</i> Reported 100% Coverage 100% <i>Estimated 0%</i> Reported 100% No investments in sovereign or supranational issuers	N/A



D. Indicators applicable to investments in real estate assets

Adverse sustainability impact indicator		Measurement element	2023 impacts	2022 impacts	Coverage & source estimated / reported (cf. Clarity AI)	Measures taken, planned measures, and targets for the next reference period
Fossil Fuels	17. Exposure to fossil fuels through real estate assets	Share of investment in real estate assets used for the extraction, storage, transportation, or production of fossil fuels	N/A	N/A	N/A No investments in real estate assets	N/A
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investment in energy-inefficient real estate assets	N/A	N/A	N/A No investments in real estate assets	N/A



E. Other indicators related to principal adverse impacts on sustainability factors

Description of policies for identifying and prioritizing Principal Adverse Impacts (PAI) on sustainability factors

As part of our ESG Integration Policy, the climate, social, and governance indicators covered by PAIs are part of the methodology employed by Sustainalytics' extra-financial research for ESG issuer analysis, which our management team relies on.

Ellipsis AM relies on both the Sustainalytics ESG risk scoring model for issuer analysis and their controversy monitoring services, which can trigger alerts on incidents related to these indicators. Indeed, Sustainalytics considers a wide range of material ESG issues evaluated through a list of underlying indicators aligned with the topics & objectives of the PAIs – SFDR: these form the framework for the analysis and calculation of ESG Risk Ratings for assessed companies.

The “principal adverse impacts” (PAI) on sustainability factors under Article 7 of the SFDR Regulation are not currently considered in the fund’s investment decisions due to the absence of available and reliable data in the current market state. Our three-year roadmap aims to evaluate the relevance of results obtained by the end of 2023 and in the coming years to establish our action plan.

Engagement Policy

Ellipsis AM has established a voting policy outlining the conditions under which it intends to exercise voting rights attached to the securities held by the funds it manages:
https://www.ellipsis-am.com/publication/ComplianceDoc/En_Politique-engagement-vote.pdf

According to this policy, two criteria determine the exercise of voting rights:

- **Shareholding threshold:** Ellipsis AM participates in the voting of resolutions submitted to shareholder general meetings when it holds at least 3% of the capital in shares, across all funds.
- **Practical conditions for voting:** For non-French listed companies, effective participation in general meetings will also be subject to the constraints of exercising voting rights (document accessibility, cost).

However, in all cases, Ellipsis AM may participate in the voting of resolutions at any general meeting, even if the above criteria are not met. It should be noted that the use of equity securities remains marginal, given our investment strategies.

No annual voting report has been published as no voting rights have been exercised, given our investment strategies.

Ellipsis AM implements its engagement through active ESG initiatives with issuers. This is achieved through dialogue with companies during meetings conducted by portfolio managers and analysts with executives or CSR (Corporate Social Responsibility) officers. This approach is particularly employed when the management team has doubts about an issuer, such as concerns regarding their communication, an event, or an ESG rating from Sustainalytics that seems unjustified.



Reference to International Standards

The Universal Declaration of Human Rights adopted in 1958 by the United Nations General Assembly:

<https://www.un.org/fr/universal-declaration-human-rights/>

The ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work, adopted in 1998 and amended in 2022:

<https://www.ilo.org/ilo-declaration-fundamental-principles-and-rights-work>

The OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises:

https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

United Nations, Guiding Principles on Business and Human Rights:

https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_fr.pdf

The Ten Principles of the United Nations Global Compact:

<https://unglobalcompact.org/what-is-gc/mission/principles>

The 17 Sustainable Development Goals (SDGs):

<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

<https://www.agenda-2030.fr/en/the-17-goals/>

Historical comparison

This is the first declaration; the historical data is currently insufficient.



Additional climatic indicators, and other environment-related indicators

III/ Climatic indicators and other environment-related indicators

Adverse sustainability impact indicator	Measurement Element	2023 impacts	2022 impacts	Coverage & source estimated / reported (cf. Clarity AI)	Measures taken, planned measures, and targets for the next reference period	Adverse sustainability impact indicator
A. Indicators applicable to investments in companies						
Water, waste, and other materials	7. Investments in companies without a water management policy	Share of investment in companies without a water management policy	6.62 %	N/A	Coverage 91.3% <i>Estimated 0%</i> Reported 100%	
Water, waste, and other materials	9. Investments in companies producing chemicals	Share of investment in companies whose activities fall under Annex I, Division 20.2, of Regulation (EC) No 1893/2006	0.01 %	N/A	Coverage 96.99% <i>Estimated 0%</i> Reported 100%	



Additional indicators related to social and employee matters, respect for human rights, and combating corruption and bribery

IV/ Indicators related to social and employee matters, respect for human rights, and combating corruption and bribery						
Adverse sustainability impact indicator	Measurement Element	2023 impacts	2022 impacts	Coverage & source estimated / reported (cf. Clarity AI)	Measures taken, planned measures, and targets for the next reference period	Adverse sustainability impact indicator
B. Indicators applicable to investments in companies						
Social and employee matters	4. Absence of a code of conduct for suppliers	Share of investment in companies without a code of conduct for suppliers (addressing dangerous working conditions, precarious work, child labor, and forced labor)	5.25 %	N/A	Coverage 92.26% Estimated 0% Reported 100%	
	5. Absence of a grievance or complaint mechanism for employee matters	Share of investment in companies without a grievance or complaint mechanism for employee matters	0.12 %	N/A	Coverage 91.06% Estimated 0% Reported 100%	
	7. Cases of discrimination	1. Number of discrimination cases in the companies	1: 0.16 number of incidents	N/A	1: Coverage 84.22% Clarity AI uses natural language processing	



		concerned, weighted average 2. Number of discrimination cases that resulted in a sanction in the companies concerned, weighted average	2: 0.008 number of incidents leading to sanctions		(NLP) models to identify violations of this PAI. All controversies considered as potential violations by the NLP models are then reviewed by our analysts. 2: Coverage 84.22% Clarity AI utilizes natural language processing (NLP) models to identify violations of this PAI. All controversies identified as potential violations by the NLP models are then reviewed by our analysts.	
Human Rights	14. Number of serious issues and incidents recorded regarding human rights	Number of serious issues and incidents recorded regarding human rights related to the investee companies, based on a weighted average	0.03	N/A	Coverage 84.22% Clarity AI utilizes natural language processing (NLP) models to identify violations of this PAI. All controversies identified as potential violations by the NLP models are then reviewed by our analysts.	
Combating corruption and corrupt practices	15. Lack of a policy to combat corruption and corrupt practices	Share of investment in entities that do not have a policy to combat corruption and corrupt practices in line with the United Nations Convention against corruption	1.54 %	N/A	Coverage 100% <i>Estimated 0%</i> Reported 100%	



Combating corruption and corrupt practices	16. Insufficient measures taken to address non-compliance with anti-corruption standards and practices	Share of investment in companies with proven deficiencies in adopting measures to address non-compliance with anti-corruption procedures and standards	0 number of cases	N/A	Coverage 84.22% Clarity AI utilizes natural language processing (NLP) models to identify violations of this PAI. All controversies identified as potential violations by the NLP models are then reviewed by our analysts.	
Governance	22. Non-cooperative countries and territories for tax purposes	Investments in countries and territories listed on the EU list of non-cooperative countries and territories for tax purposes	0	N/A	Coverage 100% <i>Estimated 0%</i> Reported 100%	We keep

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S.A. with a Management Board and Supervisory Board with a share capital of 2,307,300 euros

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