idiCo

Consideration of principal adverse impacts (PAI) on sustainability

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1. Summary

European Regulation (EU) 2019/2088 on sustainability-related disclosure in the financial services sector, known as the Sustainable Finance Disclosure Regulation (SFDR), introduces new rules on the disclosure of information on sustainable investments and sustainability risks.

The purpose of this document is to describe he way in which idiCo takes account of the principal adverse impacts (PAI) of its investment decisions on sustainability factors.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors related to environmental, social, labour, human rights and anti-corruption issues.

2. Description of the principal adverse impacts on sustainability

Environmental, social or governance issues can have negative impacts on the value of our investments. As described in idiCo's responsible investment policy, which is available on our website, we factor in ESG risks at every stage of the investment process, from investment to disposal. In this regard, idiCo has developed a framework for integrating sustainability risks into investment decisions based on:

- Sector exclusions;
- An ESG rating methodology.

2.1 Implementation of an exclusion policy for each fund under management

idiCo applies an exclusion policy to mitigate the principal adverse impacts within its portfolios arising from the performance of certain activities or the use of certain energy sources. The investment restrictions are set out in the legal documentation of each fund. The assets of the funds managed by idiCo are not directed towards companies whose main activity is in any of the following sectors:

(i) production, trade or services related to the cloning of human beings for reproductive purposes or genetically modified organisms
(ii) tobacco production
(iii) the manufacture and trade of military weapons and ammunition
(iv) the manufacture of anti-personnel mines and/or cluster bombs and the manufacture of key components for the assembly and operation of such weapons
(v) gambling and casinos
(vi) pornography
(vii) electricity generation from coal, oil, gas and nuclear power
(viii) extraction of conventional oil and gas
(ix) extraction of thermal coal and unconventional oil and gas

Compliance with these restrictions is checked prior to any investment by the funds under management.

2.2 Implementation of specific due diligence and a scoring grid

idiCo has established a generalised scoring policy for all portfolio companies in its Articles 8 and 9 funds.

idiCo implements this process in two steps:

Step 1: Every year, each portfolio company fills in a questionnaire that provides feedback to idiCo on various criteria including electricity consumption, the ratio of men and women on management bodies and the implementation of employee profit-sharing plans.

Step 2: Each portfolio company is then given a score based on the results of the ESG questionnaire and incorporating the 14 principal adverse impact indicators defined by the SFDR of the European Commission.

This system of collecting information from the financed companies on a yearly basis allows for annual monitoring of the progress of these companies on ESG criteria and helps the investment teams reduce the margins of error associated with self-assessment.

The ESG rating grid for idiCo's portfolio companies is based on the 14 principal adverse impact indicators defined in the SFDR and set out below:

Greenhouse gas (GHG) emissions	1. GHG emissions 2. Carbon footprint 3. GHG intensity 4. Exposure to companies operating in the fossil fuel sector 5. Share of non-renewable energy consumption and production 6. Energy consumption intensity per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas
Water	8. Water consumption
Emissions to water	9. Hazardous waste ratio
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

	11. Lack of processes and mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises 12. Unadjusted gender pay gap 13. Board gender diversity 14. Investments in investee companies involved in the manufacture or selling of controversial weapons

These 14 indicators are supplemented by others specific to each investment strategy to better address the particular challenges of each portfolio investment.

3. Description of policies to identify and prioritise the principal adverse sustainability impacts

idiCo has implemented the following policies:
- idiCo Responsible Investment Policy
- Policy on the consideration of sustainability risks
- Exclusion policy included in the rules or articles of association of the latest-generation funds. (These exclusion policies are specific to each fund under management and are described in the funds' legal documentation.)

The policies and any updated versions are distributed to all idiCo employees. Senior members of the portfolio management teams are responsible for applying these policies throughout the investment process.

Each investment team identifies and prioritises the principal adverse sustainability impacts based on the portfolio companies and planned future investments. The indicators needed to monitor the principal adverse sustainability impacts are selected based on the following criteria:
- Ability of portfolio management teams to retrieve, analyse and merge information across the entire portfolio
- Suitability of selected indicators in relation to the size and age of the portfolio companies

idiCo does not invest its assets in heavy industry or commodity extraction. Many investments are made in service companies, mainly healthcare, tech and business services.

idiCo does not invest directly outside the European Union, thus limiting the risks of non-compliance with OECD guidelines in terms of labour law, infringements of human rights or investment in countries with poor environmental awareness and practices such as toxic dumping and non-treatment of wastewater.
The information used by idiCo comes directly from its portfolio companies. It is transmitted annually on a declarative basis through an SaaS platform dedicated to monitoring ESG indicators. idiCo makes every effort to obtain high-quality, usable data

and checks the data obtained internally.

4. Engagement policies

ESG integration methods are described in several internal policies and procedures, most notably the Responsible Investment Policy.

In accordance with this procedure, idiCo carries out due diligence at the time of the initial investment to identify areas for improvement on ESG issues. After the investment has been made, idiCo suggests that the company commit to an action plan to help it improve its environmental, social and governance practices, reduce the potential adverse impacts of its activity and improve its efficiency.

All these elements are explained in idiCo's shareholder engagement policy.

The exercise of voting rights on the corporate bodies of the financed companies is guided by financial, strategic and ESG considerations, including monitoring compliance with the improvement plans set by idiCo at the time of the initial investment.

idiCo does not impose any outcomes on the financed companies: their operational management remains in the hands of their managers. However, idiCo continues to make every effort to implement social and environmental transition measures that are ultimately cost-effective and respectful of stakeholders and the environment.

In the case of listed companies, idiCo undertakes to exercise voting rights in companies in which it hold 5% or more of the voting rights or share capital. Below this threshold, the exercise of voting rights is possible but not mandatory.

5. Adherence to international standards

idiCo arose from the separation of the activities of Omnes Capital, which was a signatory to the following commitments:

- UNPRI
- France Invest's ESG Engagement Charter
- France Invest's Gender Equality Charter
- International Climate Initiative (ICI)

idiCo is committed to signing these various commitments, and applications for affiliation are in progress.