

RESPONSIBILITY:

AUDACIA	Giuseppe Sangiovanni (Managing Partner) Vincent Brillault (Managing Partner)	Contact : service-investisseurs@audacia.fr
---------	--	---

PURPOSE:

This policy defines and describes the concept of Principal Adverse Impacts ("PAI's"), both in general and in the context of Exergon's targeted investment subsector: Energy. It also describes how Isospin Exergon integrates PAI assessment and measurement into its investment activities

HISTORY OF UPDATES:

Version	Date	Status	Author	Nature
1	June 4 th , 2025	Finalized	Isospin Exergon Team: Giuseppe Sangiovanni Vincent Brillault	Initial policy

Contents

1 : CONTEXT, OBJECTIVES, DEFINITIONS, AND APPROACH.....	2
1.1. CONTEXT AND OBJECTIVES	2
1.2. DEFINITIONS	2
2 : INCOPORATION OF PRINCIPAL ADVERSE IMPACTS	2
2.1. INCORPORATION OF PAIS BY FUND	2
2.2. PAI MEASUREMENT STATUS AND METHODOLOGY BY FUND.....	3
3 : PAI REPORTING	4
3.1. FUND II PAI REPORTING	4
4 : PAI-RELATED PROCEDURES.....	5
4.1. PAI INTEGRATION INTO INVESTMENT DECISIONS.....	5
4.2. PAI INTEGRATION INTO ONGOING MONITORING.....	5
5 : LIMITATIONS TO METHODOLOGIES AND DATA	5
5.1. LIMITATIONS TO METHODOLOGIES AND DATA	5
6 : CONTROLS	6
6.1. 1ST-LEVEL.....	6
6.2. 2ND-LEVEL	6

ISOSPIN EXERGON	POLICY ON MEASUREMENT AND INTEGRATION OF PRINCIPAL ADVERSE IMPACTS	Version : VF_Jun 2025
-----------------	---	-----------------------

1 : CONTEXT, OBJECTIVES, DEFINITIONS, AND APPROACH

1.1. Context and objectives

The Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088, "SFDR" or the "Regulation") entered into force on 10 March 2021.

The Regulation requires fund managers like Isospin Exergon ("Exergon") to provide information on how the manager integrates sustainability risks, considers adverse sustainability impacts, and where applicable, promotes environmental, social characteristics, and/or sustainable investment as an investment objective.

Exergon's ESG and Impact Policy is available upon request and addresses these points. But it does not specifically address how Exergon assesses and measures PAIs for each of its managed funds. This document is meant to complement the ESG and Impact Policy in this regard.

At the European level, the obligation to publish this report is grounded in the Sustainable Finance Disclosure Regulation (SFDR), formally known as the Regulation (EU) 2019/2088, which is part of the EU's broader Action Plan on Financing Sustainable Growth. SFDR requires financial market participants, such as Exergon, to disclose how they integrate sustainability risks and consider Principal Adverse impacts (PAIs) of their investment decisions on environmental, social, and governance (ESG) factors. This report is also prepared in accordance with Delegated Regulation (EU) 2022/1288, which supplements SFDR by specifying the mandatory indicators, methodology, and format for PAI disclosures. Together, these regulations establish a legal framework that obliges Exergon to systematically monitor, assess, and report the sustainability impacts of its investment activities across all managed funds.

1.2. Definitions

Principal Adverse Impact (PAI)

The Regulation defines sustainability factors as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Principal adverse impact (PAI) is generally understood to mean the negative impact, caused by an investment decision or investment advice, on these factors. The Regulation includes a set of specific indicators that can be used to measure an issuer's or investee company's negative impact on sustainability factors, to enable identification of the principal adverse impact of investments by financial market participants.

Principal Adverse Impacts refer to the concept that every company, and therefore every investment decision can have significant negative impacts on factors relating to sustainability (environmental, social, as well as governance issues relating specifically to human rights and the fight against corruption and acts of corruption).

2 : INCOPORATION OF PRINCIPAL ADVERSE IMPACTS

2.1. PAI measurement status and methodology

For each mandatory PAI indicator as well as two voluntary indicators, the table below describes whether each indicator was / will be measured for Exergon's fund. It also contains detail on the measurement strategy by PAI.

<u>PAI</u>	<u>Indicators</u>	<u>Consideration Methods</u>
Greenhouse gas emissions	GHG emissions for scopes 1, 2, and 3 / Total GHG emissions	Prior sustainable investment analysis (taxonomy DNSH criteria)
Carbon footprint	Carbon footprint	Prior sustainable investment analysis (taxonomy DNSH criteria)
Carbon intensity of invested companies	Carbon intensity	Prior sustainable investment analysis (taxonomy DNSH criteria)
Exposure of invested companies to the fossil fuel sector	% of CAPEX in the fossil fuel sector	A significant exposure to this PAI makes the investment non-sustainable
Share of non-renewable energy consumption and production	Share of renewable energy consumed over total energy consumption	Prior sustainable investment analysis (taxonomy DNSH criteria)
Energy consumption intensity	Energy consumption per unit of revenue/CAPEX	Prior sustainable investment analysis (taxonomy DNSH criteria)
Impact on biodiversity	Share of investments in companies with operations located in or near biodiversity-sensitive areas and whose activities have a negative impact on those areas	Prior sustainable investment analysis (taxonomy DNSH criteria)
Water emissions	Tons of priority substances released into water, per unit of revenue/CAPEX	Prior sustainable investment analysis (taxonomy DNSH criteria)
Hazardous waste	Tons of hazardous waste per unit of revenue/CAPEX	Prior sustainable investment analysis (taxonomy DNSH criteria)
Violation of UN Global Compact and OECD	Share of investments in companies involved in violations of the principles of the UN Global Compact or OECD Guidelines for Multinational Enterprises	Companies in violation of UN Global Compact principles are excluded
Lack of processes and mechanisms to monitor compliance with the UN Global Compact and OECD principles	Share of investments in companies lacking mechanisms to monitor compliance with the principles of the UN Global Compact or OECD Guidelines for Multinational Enterprises	Companies in violation of UN Global Compact principles are excluded
Gender pay gap	Average adjusted pay gap between men and women	DD internal questionnaire: salaries of each team member
Board gender diversity	Share of women on the board	DD internal questionnaire: detailed composition of the strategic, executive, and board committees
Exposure to controversial weapons	% of revenue from companies in the controversial weapons sector	Companies exposed to controversial weapons are excluded
Land degradation, desertification, soil sealing	Share of investment in companies whose activities lead to land degradation, desertification, or soil sealing	Prior sustainable investment analysis (taxonomy DNSH criteria)
Ratio of non-recycled waste	Tons of non-recycled waste produced by companies per million euros invested, on a weighted average basis	Prior sustainable investment analysis (taxonomy DNSH criteria)

Notes

¹ If determined to be a material risk based on due diligence and/or SASB Materiality Finder

² Every other year with linear interpolation based on revenue and FTEs

³ Drive change refers to Exergon's ongoing engagement with our companies as influential investors holding governance roles. This procedure is described in Exergon's ESG and Impact Policy, sec 3.4

3 : PAI REPORTING

PAI indicator information will be published annually in Exergon's annual disclosure reports.

2024 PAI reporting

			Fund integration		
Indicators of Principal Adverse Impact on Sustainability		Measurement Element (Élément de mesure)	Investment	Ongoing	Aggregate scores
Greenhouse Gas Emissions	1.GHG Emissions	Scope 1,2,3 GHG emissions in tonnes of CO ₂ equivalent	Y	Y	939 tonnes of CO ₂ equivalent
	2. Carbon Footprint	Carbon footprint in tonnes of CO ₂ equivalent per million euros invested	Y	Y	50,4 tonnes of CO ₂ equivalent per million euros invested
	3. GHG Intensity of Investee Companies	GHG intensity of investee companies in tonnes CO ₂ equivalent per million euros invested, in proportion to the portfolio	Y	Y	1,15 tonnes of CO ₂ equivalent per million euros invested, in proportion to the portfolio
	4. Exposure to Companies Active in the Fossil Fuel Sector	Share of investments in companies active in the fossil fuel sector (in %)	Y	Y	0%
	5. Share of Non-Renewable Energy Consumption and Production	Share of energy consumption and production by investee companies that comes from non-renewable energy sources, compared to that from renewable energy sources, expressed as a percentage of total energy sources (in %)	Y	Y	32,7%
	6. Energy Consumption Intensity by High-Climate-Impact Sector	Energy consumption in GWh per million euros of revenue of investee companies, in sectors with high climate impact	Y	Y	376,14
	7. Activities with Negative Impact on Biodiversity-Sensitive Areas	Share of investments in companies with sites/facilities located in or near biodiversity-sensitive areas, if those companies' activities negatively impact these areas (expressed as a %)	Y	Y	0%
Water	8. Water Discharges	Tonnes of water discharges from investee companies per million euros invested, weighted average	Y	Y	140 T/M€
Waste	9. Ratio of Hazardous and Radioactive Waste	Tonnes of hazardous and radioactive waste produced by investee companies per million euros invested, weighted average	Y	Y	1,6 T/M€
Social and employee-related questions	10. Violations of UN Global Compact and OECD Guidelines for Multinational Enterprises	Share of investments in companies that have been involved in violations of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises (expressed as a %)	Y	Y	0%
	11. Lack of Compliance Mechanisms and Monitoring Processes with UN and OECD Principles	Share of investments in companies that do not have policies to monitor compliance with the principles of the UN Global Compact or OECD Guidelines for Multinational Enterprises, nor complaint or grievance mechanisms to remedy such violations (expressed as a %)	Y	Y	25%

ISOSPIN EXERGON	POLICY ON MEASUREMENT AND INTEGRATION OF PRINCIPAL ADVERSE IMPACTS	Version : VF_Jun 2025
-----------------	---	-----------------------

	12. Unadjusted Gender Pay Gap	Average unadjusted gender pay gap within investee companies (expressed in monetary amount converted to euros)	Y	Y	0
	13. Gender Diversity in Governance Bodies	Average female-to-male ratio on the governance bodies of the companies concerned, as a percentage of the total number of members	Y	Y	14% female
	14. Exposure to Controversial Weapons	Share of investments in companies involved in the manufacture or sale of controversial weapons (expressed as a %)	Y	Y	0%
Additional	Discrimination Incidents	Have you implemented a procedure for reporting or managing incidents of discrimination or harassment?	Y	Y	yes
	Respect for Workers' Rights	Do your employment contracts comply with local standards (working hours, salaries, leave, etc.)? Do you outsource part of your production or services to high-risk countries?	Y	Y	Yes
	Governance	Do you maintain documentation of strategic decisions (even informal)?	Y	Y	Yes

4 : PAI-RELATED PROCEDURES

4.1. PAI integration into investment decisions

Before any final investment decision, Exergon performs ESG due diligence, which includes assessment of PAI. The Investment Committee will consider whether the ESG due diligence and PAI information received – including materiality and the indicators themselves – constitutes evidence that the investment “does no significant harm” sustainability objective and follow good governance practices (see ESG and Impact Policy).

Additionally, individual deal teams will also present a **“PAI Monitoring Analysis”** as part of final investment committee materials. This analysis will assess whether current limitations on data availability, the required workload for the target, or other factors may prevent Exergon from being able to monitor PAI indicators over the life of the investment, as well as the materiality of these indicators.

Negative outcomes from either of these outputs mean that the investment cannot be counted towards the “sustainable investment” quota.

The Investment Committee, as part of its oversight and risk management duties, will ensure compliance with this quota through the procedure outlined above.

4.2. PAI integration into ongoing monitoring

PAI indicators will be monitored at least annually, according to the methodology set out in section 2.2, above. Circumstances including merger of equals, PAI-linked controversies, and other scenarios may necessitate more frequent monitoring, to be determined by Exergon’s ESG and Impact Committee.

Exergon will monitor changes in PAI’s on at least an annual basis as part of its ESG and Impact Committee, attended by all members of the Exergon investment team. Controversies related to PAI’s

ISOSPIN EXERGON	POLICY ON MEASUREMENT AND INTEGRATION OF PRINCIPAL ADVERSE IMPACTS	Version : VF_Jun 2025
-----------------	---	-----------------------

– when relevant and material – will be managed in line with Exergon’s management of ESG-linked controversies.

5 : LIMITATIONS TO METHODOLOGIES AND DATA

5.1. Limitations to methodologies and data

In evaluating and monitoring each investment, Exergon is in some instances reliant upon information and data which may be incomplete, inaccurate, unavailable, and/or unverifiable. The limitations on the availability and accuracy of PAI indicator data can stem from varying factors, such as a lack of experience and training at portfolio company managers/employees who supply these data, lack of maturity of data systems and business controls at portfolio companies, differences in interpretation of policies and definitions related to PAI concepts, etc. Exergon’s ESG and Impact team makes significant efforts to ensure the accuracy of PAI data provided both externally from portfolio companies as well as data generated internally – including conducting comparability analyses with previous years, spot-checks, etc.

In addition to potential inaccuracies in data, PAI-linked topics remain a area of active discussion among regulators at both EU- and individual member-state levels, as well as among influential Limited Partners. Changes in standards and methodologies, or re-interpretation of those already existing, occur frequently and can often be inconsistent, requiring Exergon’s managers to use their good judgement in order to ensure compliance.

6 : CONTROLS

6.1. 1st-level

The primary first level controls related to this PAI Policy are laid out in detail in the preceding sections of this document and are owned by the portfolio managers of Exergon..

In accordance with applicable regulations, Exergon prepares and implements:

- a mapping that takes into account the risks associated with each position/AIF holding or AIF under management, and the interaction between their individual risks; and
- relevant indicators and a coherent risk mitigation system with the risk profile chosen for the AIFs under management

6.2. 2nd-level

Second-level control is carried out in post-trade on the various criteria identified in the control risk mapping, and on all the regulatory obligations related to sustainable finance on a sample basis.

- Internal Control: The team in charge of Internal Control (RCCI) and its outsourced compliance consultancy (AGAMA Conseil) is tasked with ensuring the effectiveness of all controls in place to ensure the portfolios’ compliance with the PAI-related rules set for their management