Exclusion Policy 2022

LIOR Global Partners
Last Update: December 2022

LIOR GLOBAL PARTNERS

Where Global Macro meets sustainability

Contents

Introduction

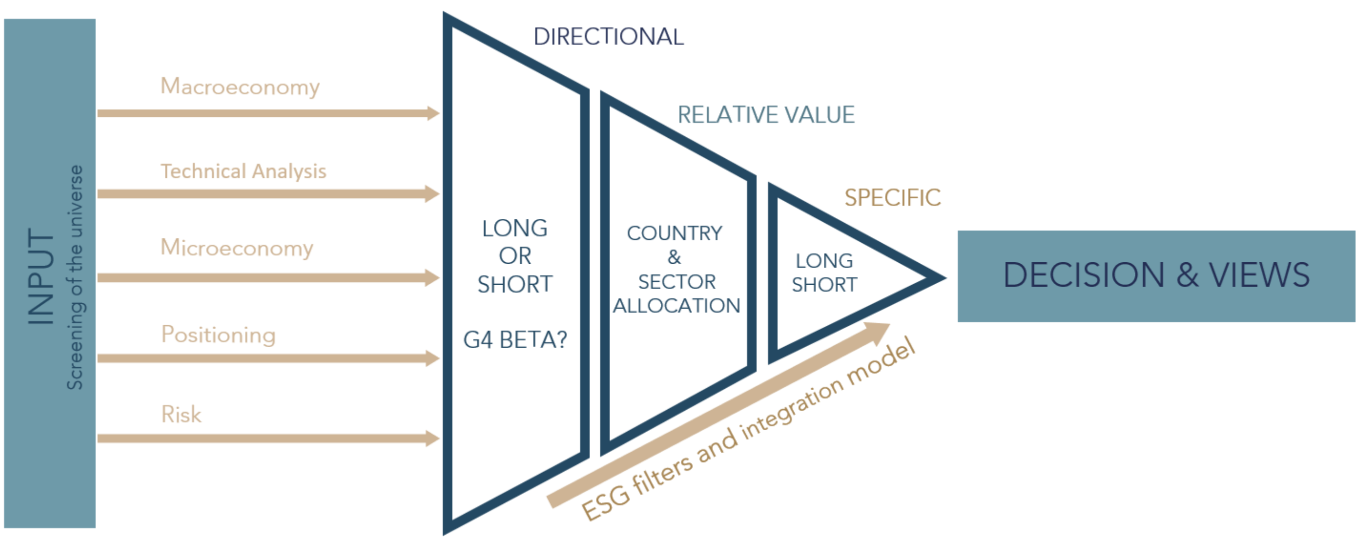
LIOR GLOBAL PARTNERS (**"Lior"**) was launched in November 2020 by Jeremy TOUBOUL (CIO/co-CEO), a former partner and senior fund manager at H2O AM and Raphaël REMOND (COO/co-CEO), a former CEO at State Street France.

Lior is a top-down, value seeking global macro discretionary asset manager that integrates sustainability throughout the investment process as we believe that this provides the necessary traceability on the direct and indirect impact of our investments.

Lior couples this with strong risk management, building optimized portfolios and a sound compliance framework.

The purpose of this document is to detail Lior's ESG methodology applied throughout the investment process with a particular focus on the exclusion and integration process using Sustainalytics database and our SFDR compliance journey.

Our investment process is based on the following 6 pillars: macroeconomic analysis, technical analysis, microeconomic analysis, positioning, risk benchmarking and ESG analysis.



Lior believes that certain practices and businesses are incompatible with current societal issues. Therefore, certain exclusion criteria are applied throughout our investment process.

Lior is relying on a well-known third part data provider, **Sustainalytics**, that provides a specific module allowing the setup of this exclusion policy.

This exclusion policy is intended to evolve according to the type of fund and the associated customer needs. Thus, an annual review during a dedicated committee will make it possible to decide on the content of the current list and the possible update of the following document.

Lior applies that exclusion policy to all eligible assets according to a screening methodology specific to each type of asset.

In summary, there are two types of exclusions as follows:

- Sectorial Exclusion
- Normative Exclusion

Lior is concerned about the direct or indirect company involvement. Therefore, if a company holds a majority stake, i. e. more than 50% of another company that is considered involved, the parent company will be considered involved in the same way as the subsidiary.

Finally, in this document, we also aim to clarify the treatment of derivatives indices.

Exclusions

1. Sectorial Exclusion

Table 1: Revenue threshold per exclusion sector

Sectors	Exclusion thresholds
Controversial Weapons	>0% (total exclusion)
Military Equipment - Production Sales - Retail Sales	> 10% of total revenues
Thermal Coal - Coal Mining - Thermal Coal Power Generation - Thermal Coal Mining Extraction	>10% of total revenues
Tobacco	>5% of total revenues for production / manufacturers
	>10% of total revenues for retailers / sales

1.1. Controversial Weapons

Controversial weapons have a disproportionate and indiscriminate impact on civilian populations, sometimes even years after the end of a conflict. Several international treaties banned their use and production.

Therefore, Lior excludes companies that produce or significantly contribute to the production of controversial weapons such as anti-personnel mines, cluster munitions, chemical, biological weapons, white phosphorus, depleted uranium, etc.

1.2. Military Contracting

Lior considered military contracting as controversial because of the negative impact on peace, economic growth, and its potential for fueling (or refueling) wars and conflicts.

- Therefore, Lior systematically excludes companies whose total revenues in military equipment production/retail sales exceed 10%.

The exclusion does not apply to companies that provide non-weapons related products and/or services to the military or defense industry.

1.3. Thermal Coal

For many years, Coal has contributed negatively to global warming and climate change, requiring special attention as to the investments Lior wants to make. Indeed, on a lifecycle basis, thermal coal is more carbon intensive than other fossil fuel sources.
Since inception, Lior decided to extend its sectoral policy from companies involved above thresholds based on following revenue exposure:

- Companies whose revenue exposure coming from coal mining, thermal coal power generation and/or thermal coal mining extraction are above 10% are excluded from our investment universe.

This involvement area provides an assessment of whether companies derive revenue from mining thermal coal or from generating electricity from thermal coal.

1.4. Tobacco

Tobacco is considered controversial because of the negative health consequences of long-term use of tobacco products, also leading to substantial medical costs for society.
Aware of the impact on public health and the environment, Lior has decided to exclude companies in the tobacco sector. This exclusion policy applies to the tobacco sector including suppliers, cigarette manufacturers and retailers. According to the same requirement scheme applied to thermal coal, Lior also decided to extend this sectoral policy from companies involved above thresholds based on following revenue exposure:

- Tobacco cigarette manufacturers and producers whose revenue exposure exceed 5% are excluded from our investment universe.
- Tobacco cigarette retailers whose revenue exposure exceed 10% are excluded from our investment universe.

This involvement area provides an assessment of whether companies derive revenue from tobacco products including cigarettes, cigars, tobacco, electronic cigarettes, paper used by end consumers for rolling cigarettes, filters, snuff tobacco, and so on. It includes tobacco products manufacturers, retailers, and distributors, as well as companies providing tobacco-related products or services.

2. Normative Exclusion

Sensitive to the Human rights and, particularly, to the effective abolition of child labor, Lior decided to integrate normative exclusion policy linked to UN Global Compact. The latter is a « a call to companies to align strategies and operations with universal principles on human rights, labor, environment and anti-corruption, and take actions that advance societal goals."

Lior engagement process is applied with companies that have/had severe breaches of the UNGC principles and guidelines.

This pact is broken down into the 10 principles below:

Human Rights	Labour	Environment	Anti-Corruption
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	**Principle 7:** Businesses should support a precautionary approach to environmental challenges;	**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.
Principle 2: make sure that they are not complicit in human rights abuses.	**Principle 4:** the elimination of all forms of forced and compulsory labour;	**Principle 8:** undertake initiatives to promote greater environmental responsibility; and	
	Principle 5 & 6: the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.	**Principle 9:** encourage the development and diffusion of environmentally friendly technologies	

Source: https://www.unglobalcompact.org/what-is-gc/mission/principles

Implementation and update

1. Scope and implementation

For its exclusion policy, all related corporate investment through cash equity, cash bonds and single name derivatives are in scope. As mentioned above, if a company holds a majority stake of another involved company, it will be considered as involved company.

Regarding derivatives on indices, in the event of strategic use, we only admit indices whose composition does not exceed 15% of the total number of index members in prohibited sectors and/or normative principles breaching companies based on the issuers covered by our ESG data provider. For ETFs that do not have a recognized ESG label, we apply the same process as for index derivatives.

Concerning the implementation period, exclusions are applied within three months after the announcement unless sanction stipulates specific timelines.

If a security in the portfolio is concerned, the exclusion will always be carried out during this period in the interest of the holder (selling in at a reasonable price that already incorporate the associated risk of controversy).

2. Update

Every 6 months, Lior ESG Committee decides whether to maintain or change this exclusion policy. Lior regularly monitors the portfolio eligible holdings relying on data provided by Sustainalytics.

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Disclaimer

The publication of Lior's Exclusion Policy is for information purposes only. This list of excluded sectors/companies may be used by Lior only as described in more detail in Lior's Exclusion Policy. By putting a sector or a company on the list Lior is not giving any general recommendation or investment advice not to invest in such sector/company to any third party (i.e. any party which is not (1) a client of Lior or (2) a subsidiary or fund family of Lior which applies Lior's Exclusion Policy). Third parties should make their own judgement on whether or not to invest in these sectors/companies. Lior accepts no responsibility whatsoever for any improper use of the information contained in the list of excluded sectors/companies or any action taken as a result thereof and disclaims all liability in respect of such improper use.