Sustainability-related disclosure

LIOR GP – Global Short Duration Fund **Legal entity identifier:** 6354009GJ3SYF38FOX65

This document provides you with information about this fund in relation to the Sustainable Finance Disclosure Regulation ("SFDR") 2022/1288 article 24. It is not marketing material. The information is required by law to help you understand the sustainability characteristics and/or objectives and risks of this fund. You are advised to read it in conjunction with other relevant documentation on this fund so you can make an informed decision about whether to invest.

The fund promotes environmental and social characteristics and encourages investee companies to follow good governance practices in accordance with Article 8 of the EU SFDR.

a) Summary

Please refer to the dedicated summary document available on our website at: https://www.lior-gp.com/our-funds/.

b) No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

Where fund aims to make one or more sustainable investments explain how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex I, are taken into account?

LIOR Global Partners ("LIOR") considers the PAI of investment decisions in a variety of ways across its investment processes.

Where applicable, LIOR already applies standard exclusions to industries and companies with unacceptable adverse impacts (please refer to the LIOR's Exclusion Policy).

LIOR adheres to the objectives that the SFDR sets out with regard to PAI. LIOR has chosen to mitigate a full consideration for the time being due to the lack of sufficient data and/or data of sufficient quality.

LIOR is also reviewing the available voluntary PAI to determine which ones would be relevant to consider, analyse and in the extend disclose.

LIOR will review the overall PAI consideration on a yearly basis, or less if there are major advances in data coverage and quality of the available data.

LIOR will gradually integrate the consideration of adverse impacts in its due diligence investment processes together with the relevant financial risks, the relevant sustainability risks indicators and the interests of the clients.

This document is accurate as at 9 February 2023.

For more information related to LIOR's Principal Adverse Impact consideration please refer to the dedicated section on our website at: https://www.lior-gp.com/sustainable-investing/#section-cprincipaladverseimpacts.

Are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights?

Using Sustainalytics as main data provider, LIOR has access and use a Global Standards Screening ("GSS") module. The GSS identifies companies that are violating or are at risk of violating international norms as enshrined in the United Nations Global Compact Principles and underlying standards including the OECD MNE Guidelines and the UNGPs.

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 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	

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c) Environmental or social characteristics of the financial product

What are the environmental or social characteristics that the financial product promotes?

As part of our portfolio management process, LIOR has adopted a risk-based approach, particularly on the ESG aspect by using Sustainalytics ESG Risk Score integrating the financial materiality framework.

The scoring methodology applies to cash[1] assets (cash[1] bonds (sovereign and credit) only). The overall portfolio score is a weighted sum of the ESG scores of the portfolio's cash assets.

LIOR considers that a company's economic value is at risk driven by its ESG factors. The overall ESG risk score provided by Sustainalytics measure that risk between 0 and 100 and are grouped into five risk categories: the lower the score, the lower the risk.

Negligible	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	>40

These risk categories are absolute allowing the direct comparison between two companies coming from different sectors.

The ESG risk score are composed of three building blocks that contribute to a company's overall rating:

- **Idiosyncratic ESG issues**: We consider that dynamic by taking into account unpredictable and unexpected events.
- **Material ESG Issues**: We focused on different sub factors related to given sector. It is the core and center step of Sustainalytics Methodology.
- **Corporate Governance**: We consider that poor Corporate Governance can lead to ESG issues.

The score is also constructed using a 2-dimensional approach: the exposure and management of the company. The company exposure score will inform investors about the material ESG risk the company faces while the company management score will assess how well the company is managing those risks.

The E, S and G pillars could be obtained via linear combination of the sub-factors coming from the 3 building blocks and the weight matrix used is sub-industries dependent.

Regarding the country risk rating provided by Sustainalytics is also a score from 0 to 100, where 0 mean negligible risk and 100 mean severe risk. The rating combines the country wealth score and the ESG factors scores to provide a more holistic view of sovereign risk.

The overall score measures the national wealth comprised of natural and produced capital (NCPC), human capital (HC) and institutional capital (IC) and a country's ability to utilize and manage its wealth. The aggregate score combines then a wealth score with the ESG risk factors score and is defined as a weighted sum of the risk score for the three dimensions (NCPC, HC & IC).

[1]Refers to an investment or asset that can quickly be converted into cash.

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d) Investment strategy

What is the investment strategy used to meet the environmental or social characteristics promoted by the financial product?

What is the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance?

At LIOR, we integrate sustainability risk into our investment analysis and decision-making processes since we believe that risks related to environmental, social and governance factors can have a material impact on return on investments. We further believe that integrating ESG criteria aims to add further value to clients by delivering performance in a more sustainable way. LIOR's ESG policy has been developed by our investment and management team, is implemented, monitored and reviewed by our portfolio managers on a daily basis.

The sustainability risk is an Environmental, Social, Governance event or condition that, if it occurs, would cause a negative material impact on the value of an investment.

LIOR will rely on a well-known third part data provider, Sustainalytics, in order to manage this sustainability risk. This latter is implemented during the investment process through the following steps:

- The integration of normative and sectoral exclusion.
- The application of ESG Scoring methodologies.

In particular, LIOR mitigates serious risks mainly through the normative and sectoral stage.

Please refer to LIOR's Exclusion Policy for more information on the matter.

Further detail on the Fund's investment strategy can be found at: https://www.lior-gp.com/our-funds/ and on the KIID of the fund.

e) Proportion of investments

1. Direct exposure in investee entities:

LIOR strives that its extra-financial analysis or rating on cash instruments (corporate/government bond) reach a minimal level of:

- 90% on category 1 securities: equities issued by large capitalisation companies whose registered office is located in "developed" countries, debt securities and money market instruments with an investment grade credit rating, sovereign debt issued by developed countries
- 75% on category 2 securities: equities issued by large capitalisations whose registered office is located in "emerging" countries, equities issued by small and medium capitalisations, debt securities and money market instruments with a high yield credit rating and sovereign debt issued by "emerging" countries.

However, LIOR has the objective to maximise its coverage ratio (represents the % of issuers covered by Sustainalytics's research) on the securities invested in both categories, using a best effort approach, depending on the data covered and transmitted by Sustainalytics.

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2. Other types of exposure

i) Cash assets

LIOR consider the indirect exposure through corporate significant ownership in the same way as direct exposure. On this matter, we rely on our data provider methodology and analysis as follow:

A parent company is accountable for the negative impacts of its subsidiary if:

- The parent has a more than a 50% (majority-ownership) shareholding in that subsidiary OR
- The parent company has a minority ownership shareholding (20-50%) in the subsidiary AND
- exerts operational control over it (the parent company has the ability to prevent and/or mitigate negative impacts on stakeholders). This is evidenced by the presence of the parent company on the Board of Directors or among senior management of the subsidiary, the parent company having voting control over the subsidiary and/or evidence of cross shareholding, among other factors.

However, if there is strong evidence that a parent company does not have operational control over a minority owned subsidiary (i.e. the parent company does not have the ability to use its leverage to prevent and/or mitigate negative impacts on stakeholders), an exception can be made and a specific entity might not be assigned the same extra-financial analysis.

ii) Derivatives on indices and ETFs

Regarding derivatives on indices, 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.

However, derivatives on indices and ETFs will not be considered on the overall portfolio ESG scoring methodology.

f) Monitoring of environmental or social characteristics

How are the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product monitored throughout the lifecycle of the financial product and what are the related internal or external control mechanisms?

As a reminder, the ESG Risk Ratings are based on an absolute notion of risk and are structured around material ESG issues to which companies are exposed to in varying degrees. These material ESG issues may have a pure environmental, social, or governance character.

Using its management tools daily, LIOR's investment team is able to continuously monitor the ESG Risk scoring from Sustainalytics on the securities covered on the portfolio. Furthermore, the management tool also allows us to compare these scores to the overall scores of our ESG comparable universe.

In addition, LIOR's investment team produce on each business day, an internal report with the overall scores of the portfolio and its ESG comparable universe, the change of score of the corporates securities in the portfolio from the previous working day, the product involvements and Global Standard Screening of these corporates securities in accordance to LIOR's Exclusion Policy.

Finally, on the monthly report of the fund, our investor will find the overall ESG scores of the portfolio and its ESG comparable universe, as well as the ESG coverage ratio.

g) Methodologies

What are the methodologies to measure how the social or environmental characteristics promoted by the financial product are met?

To measure how the social and environmental characteristics promoted by the fund are met, LIOR has decided to use a positive bias approach strategy. The positive bias approach strategy is an investment style that seeks to meet its financial objective by maintaining a portfolio with sovereign/corporate investment with positive ESG characteristics compared to investable universe. It includes sectoral and normative exclusion but also the required outperformance of the portfolio ESG score compared to the comparable investable universe. This type of sustainable strategy is perfectly suited to the portfolio management style at LIOR, seeking to achieve financial performance across all asset classes.

This type of strategy is also integrated into the risk-based approach that characterizes our portfolio management process. ESG is considered as a source of extra-financial risk and an ESG/return profile of the portfolio is drawn up in order to maintain management objectives while maintaining ESG integration.

LIOR will also applies its Exclusion Policy to all securities.

LIOR relies on Sustainalytics Scoring methodology.

Please refer to the Responsible Investment Policy on our website for more information at: https://www.lior-gp.com/sustainable-investing/#section-bresponsibleinvestmentpolicy.

h) Data sources and processing

How are the data sources used to attain each of the environmental or social characteristics promoted by the financial product?

What measures are taken to ensure data quality?

How is data processed?

What is the proportion of data that are estimated?

LIOR relies on Sustainalytics Scoring methodology in its Responsible Investment Policy. The overall ESG risk score provided by Sustainalytics measure that risk between 0 and 100 and are grouped into five risk categories: the lower the score, the lower the risk. Sustainalytics has a global coverage of 170 countries and more than 20 000 companies and the latter is continually increasing.

However, LIOR does not take the rating provided by Sustainalytics for granted and our team try to regularly check, during the pre-investment and post-investment period, the reliability and relevance of it. As an example, the team can decide to postpone a potential investment in an issuer due to lack of information on the product involvement of the issuer despite its good ESG scoring.

i) Limitations to methodologies and data

What are potential limitations to the methodologies or data sources and how do such limitations not affect how the environmental or social characteristics promoted by the financial product are met?

The primary limitation to the methodology or data source is the lack of corporate disclosure. Like many other financial market participants, we struggle to find adequate information on the PAI indicators. We are devoted to avoid any approximations or forecasts to complete this lack of sufficient data available. Moreover, it seems that some companies do not have the means or the desire, for the time being, to disclose more on some PAI indicators. Additionally, it would appear that some of the indicators are not adapted to certain sectors or types of business, which may lead to an imbalance of the coverage or relevance of these indicators.

Another limitation would be the lack of standardisation in the analysis and calculation of non-financial indicators from suppliers available in the industry. Indeed, we frequently see divergence in the way data vendors deal with certain topics. These divergences could affect the way they determine the value of a certain PAI (i.e. the GHG emissions could differ due to conflicting policies…), or to a greater extent, the ESG scoring of an issuer. As a result, the reading of data between data providers can occasionally create misleading analysis and a general confusion.

How such limitations do not affect how the environmental or social characteristics promoted by the financial product are met?

To overcome these issues, our methodologies are informed by reliable sources gathered from reputable and top third-party research provider, which is an expert within this industry. In addition, we retain the right to deviate from third-party information on a case-by-case basis in instances where it is deemed incorrect or incomplete based on additional information available to LIOR’s investment team.

j) Due diligence

What due diligence is carried out on the underlying assets of the financial product (including the internal and external controls)?

LIOR has incorporated the sustainability aspects of the investment strategies into adequate investment due diligence processes and procedures for the selection and monitoring of investments, amongst others considering LIOR’s risk appetite and sustainability risk management policies

k) Engagement policies

What is the engagement policy applied, in the case that engagement is part of the environmental or social investment strategy (including any management procedures applicable to sustainability-related controversies in investee companies)?

In the event that any of the securities in the portfolio become "excluded" by the LIOR's updated Exclusion Policy after the investment in this specific security, the divestment process will apply: The targeted security will be sold within a maximum of 3 months following the discovery of the exclusion. However, this sales period may be extended, in the following exceptional cases:

- If the accelerated sale could be detrimental to the interests of the investor (in the event of liquidity issues, for example).
- If the issuer of the targeted security is subject to certain sanctions that do not allow the sale of the security on the markets traditionally used and authorized by LIOR.

l) Designated reference benchmark

Has an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product? If yes, how that index is aligned with the environmental or social characteristics promoted by the financial product, and where can one find information with regards to input data, methodologies used to select those data, the rebalancing methodologies and index calculations?

There is no reference benchmark designated for the purpose of attaining the environmental or social characteristics promoted by the fund.