



MONTPENSIER
ARBEVEL

EXCLUSION POLICY

Article 9 and
Article 8 Open-end
Funds under
SFDR regulation

58 Avenue Marceau, 75008 Paris
T. '33 (0)1 45 05 55 55
www.montpensier-arbevel.com

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Preamble

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social and corporate governance (ESG) issues can have a significant impact on the performance of investment portfolios.

As a result, ESG assessment is an integral component of Montpensier Arbevel's management practices. Specifically, our exclusion policy is the first step of this assessment. It is implemented on several levels, for different management philosophies, that we describe in this document.

Montpensier Arbevel has defined 3 types of exclusions, according to their scope:

- ✓ Exclusions which apply to open-ended labelled mutual funds classified Article 8 or 9 (French SRI label, Towards Sustainability, Greenfin);
- ✓ Exclusions which apply to open-ended mutual funds Article 8 or 9 without a label, or LuxFlag labelled;
- ✓ General exclusions which apply to all open-ended mutual funds managed by the Company, classified SFDR Article 6, 8 or 9.

Exclusions which are specific to certain mutual funds according to their management policy may also apply.

These three scopes can be summarized in the table below and are defined by exclusion type within the following sections;

EXCLUSIONS <i>(which apply to open-ended funds)</i>	ISR, Towards Sustainability, or Greenfin labelled SFDR Article 8 or 9 funds	SFDR Article 8 or 9 funds without a label, or LuxFlag labelled funds	SFDR Article 6 funds
Regulatory and Normative			
International conventions (UNGC, OECD Guidelines for Multinational Enterprises, ILO, UN Guiding Principles on Business and Human Rights (UNGPHR)).	0%	0%	N/A
"Restrictions and Sanctions" list, which brings together the lists taken into consideration to determine the high risks in terms of money laundering or terrorist financing (country risk, national and international sanctions).	0%	0%	0%
Weapons			
- controversial (anti-personnel mines, cluster munitions weapons)	0% (legal)	0% (legal)	0% (legal)

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- unconventional (blinding laser weapons, incendiary weapons and non-locatable shrapnel weapons, biological and chemical weapons and depleted uranium - direct and indirect involvement)	0%	0%	0%
- nuclear	0%	10% (0% for LuxFlag labelled funds)	N/A
- conventional	10% (5% for Toward Sustainability-labelled funds)	10% (Ad-hoc due diligence for eligibility and exception applied to Pluvalca Global Trends fund)	N/A
Fossil Fuel			
- unconventional (exploration, extraction, refinery)	5%	N/A (10% for LuxFlag labelled funds)	N/A
- new conventional or unconventional projects	0% (GOGEL list)	N/A (0% (GOGEL list) for LuxFlag labelled funds)	N/A
- thermal coal	0% (GCEL list)	Extraction >5% (0% (GCEL list) for LuxFlag labelled funds)	Extraction and Retail >10%
- new thermal coal projects	0% (GCEL list)	N/A	N/A
Electricity Production			
- companies whose main activity is electricity generation and whose carbon intensity exceeds the IEA (International Energy Agency) thresholds.	Annual threshold	N/A	N/A
Other Exclusions			
- Tobacco	5% (SRI label)	5%	N/A
- Palm oil	5%	5%	N/A
- Adult Entertainment	10%	10%	N/A
- Agri-food GMOs	10%	N/A (10% for LuxFlag labelled funds)	N/A
- Gambling	10% (exception applied to M Sport Solutions SRI fund)	N/A (10% for LuxFlag labelled funds)	N/A

1. Regulatory and normative exclusions

1.1. International conventions

➤ General Principles

Normative exclusion is an ESG approach that aims to exclude an issuer according to its compliance with international norms or standards. These include the United Nations Principles for Responsible Investment (PRI).

Montpensier Arbevel joined the PRI on March 10th, 2015. We are convinced that the application of these Principles will contribute to bringing investors closer to the main objectives of our society.

In order to complete its approach as a responsible investor, Montpensier Arbevel has also joined the United Nations Global Compact and, as such, supports the Declaration of Human Rights.

➤ More specifically, regarding Article 8 and Article 9 open-end funds under SFDR regulation

Montpensier Arbevel excludes from the investment universe companies that are not aligned with some global standards and conventions, including the United Nations Global Compact (UNGC) principles, OECD Guidelines for Multinational Enterprises, the International Labour Organization (ILO) conventions and the United Nations Guiding Principles on Business and Human Rights (UNGPBHR).

➤ Controversial weapons

In addition, as part of the Oslo Convention and the Ottawa Treaty, mutual funds are prohibited from investing in securities identified as being involved in the production of weapons mentioned in the following conventions:

- The Anti-Personnel Mine Ban Treaty (Ottawa Treaty).
- The Convention on Cluster Munitions (Oslo Convention).

1.2. Other lists of normative exclusions

Finally, Montpensier Arbevel has also drawn up a "Restrictions and Sanctions" list, which brings together the lists taken into consideration to determine the high risks in terms of **money laundering or terrorist financing** (country risk, national and international sanctions), which applies to all UCIs managed by the Company.

These high risks determination is based on the following elements:

- ✓ High-risk states and jurisdictions:
 - Financial Action Task Force (FATF): high-risk jurisdictions and jurisdictions under supervision.
 - European Commission: list of third countries with insufficient anti-money laundering and anti-terrorist financing measures.
 - Council of the European Union: European Union list of non-cooperative countries and territories for tax purposes.
 - French Ministère de l'Économie et du Budget: list of non-cooperative states and territories established pursuant to Article 238-0 A of the French General Tax Code.
 - Tracfin: calls for vigilance with reporting professionals.
- ✓ National and international sanctions lists:
 - European Union Sanctions list
 - International financial Sanctions list issued by the French Treasury (MINEFI)
 - United Nations Sanctions List

- Sanctions Programs and Country Information List issued by the Office of Foreign Assets Control (OFAC), which is overseen by the U.S. Treasury Department
- United Nations Security Council (UNSC) Sanctions List
- United Kingdom Treasury Sanctions and Assets Freeze List (UK HMT)
- Commission de Surveillance du Secteur Financier (Grand Duchy of Luxembourg) financial sanctions list.

2. Sectorial exclusions

2.1. Definition and measurement

Sectorial exclusions applies on controversial activities are activities that, for moral or ethical reasons, are subject to controversy.

Exposure to these activities is most often measured as a percentage of annual sales. It generally includes the production or sale of products or services related to the selected activities.

2.2. Legal framework

➤ controversial and unconventional weapons:

Some of these controversial activities also belong to normative exclusions. This is the case, for example, with **controversial weapons**. As mentioned previously, France has signed the Ottawa Treaty (1997) on anti-personnel mines and the Oslo Convention (2008) on cluster munitions. Thus, any financing of these activities, "directly and indirectly and with full knowledge of the facts", is prohibited for French investors.

More specifically, these are companies involved directly (manufacture, sale of components, services, etc.) or indirectly (via a subsidiary or parent company) in activities relating to non-conventional weapons (blinding laser weapons, incendiary weapons and non-localisable shrapnel weapons, biological and chemical weapons, depleted uranium).

Companies involved in controversial and unconventional weapons are excluded from investment in the UCIs managed by the management company.

For Toward Sustainability labeled funds, we also exclude companies involved in illicit weapons identified in the Belgian Weapons Act.

2.3. Exclusions applied to open-ended labelled funds

Although they are not legally obliged to do so, asset managers often exclude other controversial activities, particularly in the context of socially responsible investment (SRI).

In this case, the aim is to exclude from the labelled funds' investment universe companies exhibiting a behavior in contradiction with a sustainable development approach for the society or the environment. Exclusions which are specific to each labelled funds are detailed in the designated fund's Transparency Code. Transparency Codes are available on the dedicated pages for each fund on Montpensier Arbevel's website.

2.4. Montpensier Arbevel Exclusion Policy

The following policy on controversial activities is applied according to the different scopes by Montpensier Arbevel for its open-ended SFDR - Article 8 and 9 funds:

➤ **Nuclear and conventional weapons:**

A weapon or weapon system is an instrument designed to injure or kill an opponent. Weapons can be used for attack and defence, to threaten and protect. It may therefore be necessary to maintain peace, but its ultimate purpose - to threaten or destroy human life - makes it an unethical activity.

Thus, we exclude from our open-ended SFDR – Article 8 and 9 funds' investment universe companies tied to nuclear weapons, or generating more than 10% of their annual turnover in the manufacture of conventional weapons, their systems and components as well as nuclear weapons. For Towards Sustainability-labelled funds, companies generating more than 5% of their annual turnover in the manufacture of conventional weapons, their systems and components, are excluded.

We exclude from open-ended SFDR – Article 8 funds without a label, companies which derive over 10% of their annual turnover from nuclear, and conventional weapons.

Companies which generate over 10% of their annual turnover from conventional weapons can be reintegrated into the investable universe, following a qualitative analysis which aims to ensure that material topics such as compliance, internal control, and export control are taken into account.

An exception is in place to Pluvalva Global Trends fund for which an exclusion of conventional weapons does not apply as per the product's management strategy, with a segment dedicated to Security.

➤ **Tobacco:**

According to the World Health Organization (WHO), tobacco is the number one contributor to chronic non-communicable diseases. All forms of tobacco cause health problems at all stages of life, often leading to death or disability. It is the leading cause of preventable death worldwide: an estimated seven million people die from it each year.

Thus, we exclude from all open-ended SFDR – Article 8 and 9 funds' investment universe companies generating more than 5% of their annual turnover in the production and sale of tobacco.

➤ **Coal and fossil fuels:**

The environmental impact associated with the extraction of thermal coal is highly significant. Once extracted, it is burned, and the CO₂ emissions generated are among the most polluting. For instance, they are twice as high as natural gas emissions. In addition, coal not only emits large amounts of CO₂ and other pollutants, but its extraction also generates waste containing metals that are toxic to the environment and to humans, such as arsenic and mercury.

Thus, we exclude from our labelled SFDR – Article 8 and 9 funds' investment universe companies generating more than 10% of their annual turnover in the extraction of thermal coal (lignite, bitumen, anthracite, ...) and its sale, which does not include metallurgical coal (also called coking coal or steelmaking coal). We also exclude all companies developing new projects linked to coal, identified in Urgewald's GCEL list.

We exclude from SFDR – Article 8 funds with no SRI label, companies generating over 5% of their revenue from the extraction of thermal coal.

Companies generating more than 10% of their turnover from the extraction and sale of thermal coal are excluded from the investment universe of funds classified as Article 6, 8 or 9 under SFDR regulations.

➤ **Unconventional hydrocarbons:**

Hydrocarbons are referred as "unconventional" when they are difficult to exploit, typically when simple drilling is not sufficient to extract them. These liquid or gaseous hydrocarbons include shale gas and bituminous oil. Their extraction requires the use of controversial methods, such as hydraulic fracturing, which are extremely harmful to the environment (methane leaks, deep pollution or earthquakes).

We exclude from labeled funds' investment universe companies generating more than 10% of their annual revenues from unconventional oil and gas extraction (oil sands, shale oil and gas, coal seam gas, coal bed methane).

We exclude from the investment universe of our SRI-labelled Article 9 and Article 8 open-ended funds companies generating more than 5% of total liquid or gaseous fossil fuel production from the exploration, extraction and refining of unconventional liquid or gaseous oil and gas fossil fuels (oil sands, shale oil and gas, natural gas).

In this context, we also exclude all companies developing new projects related to this sector, identified in Urgewald's GOGEL list.

➤ **Production of Electricity:**

Companies whose main activity is the production of electricity and whose carbon intensity exceeds the IEA (International Energy Agency) thresholds are excluded from the investment scope of SRI-labelled Article 9 and 8 funds.

➤ **Pornography:**

Pornography involves human beings is likely to offend modesty. The amount and nature of sexual content in the media, especially digital media, is poorly controlled to protect young people from harmful exposure.

Thus, we exclude from our open-ended Article 8 and 9 funds' investment universe companies generating more than 10% of their annual turnover in adult entertainment-related activities.

➤ **Gambling:**

Companies involved in gambling create significant social risks, including addiction and over-indebtedness. Gambling becomes an issue when the gambler is no longer able to limit the amount of money or time spent gambling, which has deleterious effects on the gambler, his or her family and the community at large: breakdown of family ties, physical or psychological health problems, financial difficulties, legal consequences, unemployment or loss of employment, drugs, etc.

Thus, we exclude from our open-ended labelled Article 8 and 9 funds' investment universe companies generating more than 10% of their annual turnover in gambling activities.

An exception is in place to M Sport Solution SRI fund for which an exclusion of gambling activities does not apply as per the product's management strategy, as e-sport is part of the fund's investment universe.

➤ **Agri-food GMOs**

A genetically modified organism (GMO) is an organism whose genetic material has been modified in a way that does not occur naturally. The public debate on GMOs in seeds, crops and food remains very heated and the scientific community is not yet in a position to issue a definitive opinion on their dangers to human health or the environment.

Thus, as a precautionary measure, we have chosen to exclude from our open-ended labelled Article 8 and 9 funds' investment universe companies generating more than 10% of their annual turnover in agri-food GMO-related activities.

➤ **Palm Oil**

Palm oil is a vegetable oil extracted from the fruit pulp of the oil palm tree. Originally from West Africa, the oil palm tree is now cultivated in many tropical regions, such as Brazil and Indonesia. The production of palm oil, which is most often based on industrial methods of monoculture, is responsible for significant

deforestation. In addition, its impact on biodiversity is considerable because its production contributes to the extinction of many species. Finally, the working conditions in these plantations are very controversial.

Thus, we exclude from our open-ended Article 8 and 9 funds' investment universe companies generating more than 5% of their annual turnover in the production or distribution of palm oil.

3. Specific exclusions

The management policy specifically applied to a fund may also implement additional exclusions. Exclusions which are specific to a fund are outlined in more details in each fund's Transparency Code.

While sector-specific exclusions are already presented above, exclusions linked to specific labels obtained by Montpensier Arbevel are detailed below.

➤ Exclusions specific to SRI-labelled funds

The following securities are excluded from the investment universe of our SRI-labelled funds:

- Any issuer involved in the production of systems or services or components specifically designed for weapons whose use is prohibited by France's international commitments (controversial and non-conventional weapons: biological weapons; chemical weapons; anti-personnel mines; cluster munitions) ;
- Any issuer suspected of serious and/or repeated violations of one or more principles of the UN Global Compact ;
- Companies which generate over 5% of their annual turnover from the production and retail of tobacco ;
- Companies which generate over 5% of their annual turnover from the thermal coal exploration, extraction, transportation, storage, refining and retail (lignite, bitume, anthracite, ...) are excluded from these investment universes.
- We also exclude all companies which develop new projects linked to coal, as identified in Urgewald's GCEL list ;
- Companies for which more than 5% of total liquid or gaseous fossil fuel production comes from the exploration, extraction or refining of non-conventional liquid or gaseous fossil fuels are excluded from these investment universes.
- We also exclude all companies which develop new projects linked to this industry, as identified in Urgewald's GOGEL list ;

Companies whose main activity is the production of electricity and whose carbon intensity is over IAE thresholds (International Energy Agency) are also excluded.

➤ Exclusions specific to Greenfin-labelled funds

We exclude from the investment scope of Greenfin-labelled funds stocks directly involved in exploration-production and exploitation of fossil fuels.

The investment scope of Greenfin-labeled open-ended funds excludes stocks directly involved in the exploration-production and exploitation of fossil fuels.

For these activities, we have no tolerance threshold: the slightest involvement (measured as a percentage of turnover) leads to the systematic exclusion of the investment universe.

This does not apply to the production, transport, distribution or sale of equipment and services to or for customers in the excluded sectors, if these activities account for less than 30% of their sales.

➤ Exclusions specific to Towards Sustainability-labelled funds

Companies involved in the manufacture or sale of nuclear weapons (or their custom-made components) are excluded from the investment scope of Towards Sustainability-labeled funds; as well as companies whose turnover is more than 5% related to the activities listed below:

- ✓ Manufacture of conventional weapons, its components or associated systems ;
- ✓ Tobacco ;
- ✓ The exploration, refining and distribution of thermal coal, as well as dedicated products and services ;
- ✓ Non-conventional oil and gas extraction (oil sands, shale oil and gas, coal seam gas, coal bed methane);
- ✓ Companies involved in the exploration, extraction, refining and transportation of oil and gas, or providing equipment or services dedicated to this purpose.

In addition, Montpensier Arbevel carries out an additional analysis prior to entering the final investment universe, using the criteria defined by the Towards Sustainability label, for:

- ✓ Companies producing electricity or heat from non-renewable energy sources, including nuclear;
- ✓ Companies involved in the exploration or development of new gas or oil projects are identified, in line with the requirements of the Towards Sustainability label. The GCEL (Global Coal Exit List), and the "Upstream" and "Gas-Fired Power Expansion" sections of the GOGEL (Global Oil & Gas Exit List), published by the NGO Urgewald, are integrated into the selectivity system as soon as the fund's investable universe is defined. Once these companies have been identified, an additional analysis is carried out to ensure compliance with the various criteria required by the label.

Lastly, the ESG analysis team can take into account the reintegration criteria for the arms, conventional oil & gas and electricity sectors including those based on nuclear facilities, as defined in the Towards Sustainability label guidelines.

These additional criteria are the result of work carried out twice a year by the ESG analysis team.

4. Implementation and Control

4.1. Implementation

Montpensier Arbevel relies in particular on the ESG research provided by MSCI ESG Research.

Depending on the fund's management strategies, exclusions are either set downstream in the order processing chain and supervisory tools or implemented upstream in the models defining the investment universe.

4.2. Control

Controls are implemented at the different stages of order processing and portfolio monitoring:

- ✓ Pre-trade controls;
- ✓ Post-trade controls, which are analyzed daily by the Operations Department;
- ✓ Controls carried out by the Internal Control department, as part of the permanent control, and as part of the periodic control.