MONTPENSIER
FINANCE

EXCLUSION POLICY
Article 9 and
Article 8 Funds
under
SFDR regulation

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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 Finance'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 Finance has defined 3 types of exclusions, according to their scope:

- ✓ General exclusions that apply to all managed mutual funds;
- ✓ Exclusions that apply to labeled mutual funds;
- ✓ Specific exclusions that apply to certain mutual funds depending on their management policy and, where appropriate, the label they have been granted.

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 Finance 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 Finance has also joined the United Nations Global Compact and, as such, supports the Declaration of Human Rights.

➢ More specifically, regarding labeled funds

Montpensier Finance excludes from the investment universe companies that are not aligned with some global standards and conventions, including the United Nations Global Compact (UNGC) principles, 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 Finance 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).

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. Exclusions of controversial activities

2.1. Definition and measurement

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

Some of these controversial activities also belong to normative exclusions. This is the case, for example, with **unconventional 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.

Specifically, for labeled funds, we also exclude companies involved in illicit weapons identified in the Belgian Weapons Act.

2.3. Exclusions applied to labeled 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 labeled funds' investment universe companies exhibiting a behavior in contradiction with a sustainable development approach for the society or the environment.

2.4. Montpensier Finance SRI Policy

The following policy on controversial activities is applied to Montpensier Finance's SRI-labeled funds:

- **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 labeled funds' investment universe companies generating more than 10% of their annual turnover in the manufacture of conventional weapons, their systems and components as well as nuclear weapons.

As an exception, in order to take into account the specificity of the convertible bond market, funds invested in convertible bonds are authorized to invest in issues where the underlying company generates more than 10% of its turnover in conventional armaments, as long as the total of these issues represents more than 2.5% of their benchmark index, and within the limit of the total weight of the issues concerned in the index applied to the fund.

We also exclude from our label funds' investment universe companies involved directly (manufacturing, sale of components, services, etc.) or indirectly (via a subsidiary or parent company) in activities concerning unconventional weapons (blinding laser weapons, incendiary weapons and non-locatable flash weapons, biological and chemical weapons, depleted uranium).

- **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 our labeled funds' investment universe companies generating more than 10% 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 CO_2 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 CO_2 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 labeled 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).

- **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 labelled funds' investment universe companies generating more than 10% of their annual revenues from unconventional oil and gas extraction (oil sands, shale oil and gas, coalbed methane, Arctic drilling).

- **Pornography:**

Pornography involves human beings in degrading activities and 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 labeled 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, alcohol, etc.

Thus, we exclude from our labeled funds' investment universe companies generating more than 10% of their annual turnover in gambling activities.

- **GMO**

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 labeled funds' investment universe companies generating more than 10% of their annual turnover in 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 label funds' investment universe companies generating more than 10% 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 specific to Greenfin-labeled funds**

The entire nuclear industry (i.e. uranium mining, concentration, refining, conversion and enrichment of uranium, manufacture of nuclear fuel assemblies, construction and operation of nuclear reactors, processing of spent nuclear fuels, nuclear dismantling and management of radioactive waste) is excluded from the investment universe of the Greenfin label.

Are also excluded from the investment scope of Greenfin-labeled funds stocks whose activities are related to the exploration-production and exploitation of fossil fuels, i.e. the entire value chain.

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. The provision of services to the nuclear industry is authorized up to a limit of 5% of turnover.

- **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 labelled 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, coalbed methane, drilling in the Arctic);
- ✓ Companies involved in the exploration, extraction, refining and transportation of oil and gas, or providing equipment or services dedicated to this purpose.

In addition, are also excluded from the investment universe:

- ✓ Companies involved in the extraction of fossil fuels and which generate less than 50% of their sales from contributing activities[1].

Finally, the following reinstatement criteria are considered:

- ✓ Companies with more than 5% of their turnover involved in the oil and gas (conventional) value chain may re-enter the investment universe if they meet one of the following criteria:
  - The company has set a "well-below 2°C" or "1.5°C" SBTi target, or is part of the SBTi "Business Ambition for 1.5°C" commitment;
  - The company allocates less than 15% of its CapEx to oil and gas activities and does not aim to increase revenues from these activities;
  - The company allocates more than 15% of its CapEx to contributing activities[1].
- ✓ Electricity producers that generate less than 50% of their revenue from contributing activities[1] may re-enter the investment universe if they meet one of the following criteria:
  - The company has set a "well-below 2°C" or "1.5°C" SBTi target, or is part of the SBTi "Business Ambition for 1.5°C" commitment;
  - The company allocates more than 50% of its CapEx to contributing activities[1];
  - The company's carbon intensity is lower than 374 gCO_2/kWh.

These additional criteria are the result of work carried out annually by the ESG team.

4. Implementation and Control

4.1. Implementation

Montpensier Finance 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.

[1]Transition activities included in the EU Taxonomy or that clearly and concretely contribute to a UN environmental Sustainable Development Goal or to the EU environmental objectives.

4.2. Control

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

- ✓ Pre-trade controls via the Alto Investment Compliance constraint engine integrated to the PMS ("Alto") and the EMS ("Order Booking"), blocking upstream any order that would lead to an overshoot of the limit, including any buy order that would concern a security excluded from the investment universe, and triggering an ad-hoc validation/rejection procedure;
- ✓ Post-trade controls using the Alto Investment Compliance tool, which summarizes any breach, pre- and post-trades, 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.