



Principal Adverse Impact Statement

June 2024

LIOR Global Partners (LEI :254900967F8VA5TRFJ32)

Statement on Principal Adverse Impacts of investment decisions on sustainability factors

Summary

LIOR Global Partners (254900967F8VA5TRFJ32) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of LIOR Global Partners.

This statement on principal adverse impacts on sustainability factors covers the reference period from January 1st, 2023 to December 31st, 2023.

It is difficult to analyse and summarise the Principal Adverse Impacts Statement due to the lack of data covered, quality and quantity. However, we can determine that the indicators from 1 to 4 regarding greenhouse gas emissions are low compared to what we could expect. It is mainly due to LIOR Global Partners' Exclusion Policy on Thermal Coal sector (please review the Exclusion Policy available at <https://www.lior-gp.com/>), and to the current size of LIOR Global Partners business.

The Exclusion Policy also helped us to reduce the impacts of the "Social and employee matters" indicators (10, 11, 12, 13 and 14).

LIOR Global Partners' Responsible Investment Policy (available at <https://www.lior-gp.com/>), and the contribution of it on the country selection (country scoring) have also reduced the impacts of the indicators applicable to investment in sovereigns and supranational (indicators 15 and 16).

Regarding the actual coverage of the indicators, we noticed that the coverage decreased slightly by around 5% in average compared to last year's report. This diminution of coverage can be explained by the type of companies we invested in. Indeed, US companies have in general less requirements to report these indicators than European companies. In addition, we have sector impact as Financials companies do not report certain indicators as they have no direct involvement (fossil fuel for example).

Nevertheless, as expressed before, the lack of coverage, at the time of this statement, on a lot of indicators could lead to misreading and misinterpretation of the indicators. LIOR Global Partners then invite the readers of this statement to take into consideration the lack of coverage in their analysis.

Descriptions of the principal adverse impacts on Sustainability factors

| Adverse sustainability indicator | Metric | Metric (Unit) | Impact (Year 2023) | Impact (Year 2022) | Explanation | Action taken, and actions planned and targets set for the next reference period | |
|--|--|---|--------------------|--------------------|-------------|---|---|
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | | | | |
| Greenhouse gas emissions | 1. GHG emissions | Scope 1 GHG emissions | tCO2eq | 52.69 | 21.20 | Assets increased | |
| | | Scope 2 GHG emissions | tCO2eq | 67.63 | 32.04 | Assets increased | |
| | | Scope 3 GHG emissions | tCO2eq | 4545.75 | 424.23 | Assets increased | |
| | | Total GHG emissions | tCO2eq | 4666.07 | 477.47 | Assets increased | |
| | 2. Carbon footprint | Carbon footprint | tCO2eq/EURm | 1365.32 | 222.55 | Assets increased | Exclusion Policy (Thermal Coal policy), ESG Integration (Scoring) |
| | 3. GHG intensity of investee companies | GHG intensity of investee companies | tCO2eq/EURm | 796.78 | 170.64 | Assets increased | Exclusion Policy (Thermal Coal policy), ESG Integration (Scoring) |
| | 4. Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector | % involved | 4.88 | 2.29 | N/A | Exclusion Policy (Thermal Coal policy), ESG Integration (Scoring) |
| | 5. Share of non-renewable energy consumption and production | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage | % (Consumption) | 49.37 | 53.96 | N/A | Exclusion Policy (Thermal Coal policy), ESG Integration (Scoring) |
| | | % (Production) | 27.95 | 48.33 | N/A | | |
| 6. Energy consumption intensity per high impact climate sector | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector | GWh/EURm | 0.70 | 0.58 | N/A | Exclusion Policy (Thermal Coal policy), ESG Integration (Scoring) | |
| Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas | % involved | 5.70 | 1.46 | N/A | Exclusion Policy (Thermal Coal policy), ESG Integration (Scoring) |
| Water | 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | t/EURm | 0.00 | 0.00 | N/A | ESG Integration (Scoring) |
| Waste | 9. Hazardous waste ratio | Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average | t/EURm | 0.95 | 0.34 | N/A | ESG Integration (Scoring) |

| Adverse sustainability indicator | Metric | Metric (Unit) | Impact (Year 2023) | Impact (Year 2022) | Explanation | Action taken, and actions planned and targets set for the next reference period | |
|---|---|--|--------------------|--------------------|-------------|---|---|
| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS | | | | | | | |
| Social and employee matters | 10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | % involved | 0.00 | 4.59 | Exclusion Policy | Exclusion Policy (Normative Exclusion, UN Global Compact) |
| | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | % involved | 40.69 | 29.42 | More investment in private companies (not sovereign) | Exclusion Policy (Normative Exclusion, UN Global Compact) |
| | 12. Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies | % | 31.18 | 26.75 | N/A | Exclusion Policy and ESG Integration (Scoring) |
| | 13. Board gender diversity | Average ratio of female to male board members in investee companies | % | 41.84 | 41.06 | N/A | Exclusion Policy and ESG Integration (Scoring) |
| | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | % involved | 0.00 | 0.00 | N/A | Exclusion Policy (Controversial Weapons policy) |
| INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS | | | | | | | |
| Environmental | 15. GHG intensity | GHG intensity of investee countries | KtonCO2eq/EURm | 0.23 | 0.20 | N/A | ESG Integration (Country Scoring) |
| Social and employee matters | 16. Investee countries subject to social violations | Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law | # | 0 | 0 | N/A | ESG Integration (Country Scoring) |

| Adverse sustainability indicator | Metric | Metric (Unit) | Impact (Year 2023) | Impact (Year 2022) | Explanation | Action taken, and actions planned and targets set for the next reference period | |
|---|---|--|--------------------|--------------------|-------------|---|--|
| INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS | | | | | | | |
| Fossil fuels | 17. Exposure to fossil fuels through real estate assets | Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels | N/A | N/A | N/A | N/A | For the time being, LIOR has no vocations to disclose the "Indicators applicable to investments in real estate assets" due to no investments in this asset type. |
| Energy efficiency | 18. Exposure to energy-inefficient real estate assets | Share of investments in energy inefficient real estate assets | N/A | N/A | N/A | N/A | For the time being, LIOR has no vocations to disclose the "Indicators applicable to investments in real estate assets" due to no investments in this asset type. |

Other indicators for principal adverse impacts on sustainability factors

| Adverse sustainability indicator | Metric | Metric (Unit) | Impact (Year 2023) | Impact (Year 2022) | Explanation | Action taken, and actions planned and targets set for the next reference period | |
|--|--|--|--------------------|--------------------|-------------|---|--|
| ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | | | | |
| Water, waste and material emissions | Investments in companies producing chemicals | Share of investments in investee companies the activities of which fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006 | % involved | 0.00 | 0.00 | N/A | Exclusion Policy and ESG Integration (Scoring) |
| ADDITIONAL INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS | | | | | | | |
| Social and employee matters | Lack of a supplier code of conduct | Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour) | % involved | 0.00 | 3.33 | ESG Scoring | Exclusion Policy and ESG Integration (Scoring) |

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

LIOR Global Partners' Responsible Investment Policy (available at <https://www.lior-gp.com/>) applies on 100% of the cash assets (excluding not invested cash and Forex) managed by LIOR Global Partners. LIOR Global Partners continuously monitors and updates its Responsible Investment Policy, the latest version was validated on December 2022.

At LIOR Global Partners ("LIOR"), we integrate sustainability risk into our investment analysis and decision-making process since we believe that risks related to environmental, social and governance factors can have a material impact on return on investments.

LIOR's ESG policy has been developed by our investment and management team, and is implemented, monitored and reviewed by our portfolio managers.

Principle Adverse Impacts highlight that missing data due to companies' lack of communication can explain low coverage ratios from data provider on certain indicators. We actively communicate with them, who commit to a best-effort approach in information research. The data provider aims to minimize the use of proxies, although they may be necessary for some adverse impacts for now.

In the table presented in this document, LIOR Global Partners has decided to use Sustainalytics as data provider for the Principal Adverse Impacts Indicators.

The ESG Scoring methodology of Sustainalytics adopted a risk-based approach integrating the financial materiality framework. This methodology considers that a company's economic value is at risk driven by its ESG factors. At LIOR Global Partners, we consider that the ESG Risk Scoring methodology used by Sustainalytics is an excellent fit to monitor the Principal Adverse Impacts of an issuer. Indeed, these indicators are (when available) included in the overall ESG risk score of the issuer.

At the date of this statement, Sustainalytics provides an exact fit mapping for 45 PAI indicators (out of the 64 in total), a partial fit for 8 indicators, a minimum fit for 3 indicators and does not cover the 8 indicators remaining. All the mandatory corporate and sovereign PAI indicators are currently covered with the exact or partial fit (please refer to the documentation provided by Sustainalytics on Principal Adverse Impact Data Solution).

On the additional Principal Adverse Impacts Indicators disclosed by LIOR Global Partners on this statement:

1. The investments in companies producing chemicals indicators
 - After analysis of the coverage and the fact that mandatory climate and other environment-related indicators were focused on gas emissions, energy consumption, water and hazardous wastes, LIOR Global Partners has decided to add, at the time of this statement, an indicator on chemicals adverse impacts in order to complete the initial mandatory list.
 - Exact fit and no estimations of the metric are used from Sustainalytics on this indicator and they are focusing on pesticides with limited coverage of the other agrochemicals not elsewhere identified according to the NACE classifications.

2. The lack of supplier code of conduct indicators
 - After analysis of the coverage and because we consider this adverse impact is in line with the values and corporate's culture LIOR Global Partners has decided to apply and consider since its inception, we are convinced that the monitoring of supplier code of conduct is an important indicator we want to, at the time of this statement, analyse and report.
 - Exact fit and no estimations of the metric are used from Sustainalytics on this indicator.

Regarding the coverage of Sustainalytics on the corporate indicators reported in this statement (including the additional), Sustainalytics is covering its ratings+ Universe on each of them. Ratings+ Universe corresponds to the total coverage of corporate issuers covered by Sustainalytics' ESG Risk Ratings (approximately 12,500 corporate issuers worldwide). This coverage doesn't mean that the data are reported by the issuers, we can for example take the case of indicators 1, 2 and 3 with only around 20% of the issuers reporting data to Sustainalytics as of June 2023.

We have established a close working relationship with Sustainalytics, a leading authority in addressing principle adverse impacts. Whenever we encounter incomplete or missing data, we proactively engage in ongoing communication with them. We leverage the expertise and resources of Sustainalytics as they initiate discussions with the relevant companies to obtain the missing data or refine the existing information. This collaborative effort ensures that we actively address any data gaps and strive for comprehensive and accurate reporting on adverse impacts.

Engagement policies

LIOR Global Partners engagement policies to mitigate key negative impacts vary by company and sector, encompassing strong corporate governance, responsible environmental and social practices, sector-specific collaborations, and integration of ESG considerations. Indicators considered for negative impacts depend on company-specific factors.

LIOR ESG policy, including ESG Exclusion and ESG Scoring policies, allows us to mitigate these risks as ESG considerations are integrated at each step of our investment process.

The directive 2007/36/EC focuses on shareholders' rights to exercise their voting right.

LIOR voting policy encourages active participation, transparency of companies' cooperation, and disclosure of voting results.

References to international standards

Sensitive to Human rights and, particularly, to the effective abolition of child labor, LIOR has decided to integrate normative exclusion policy linked to UN Global Compact. The latter is “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 exclusion process is applied with companies that have severe breaches of the UNGC principles and guidelines (please refer to LIOR Global Partners' Exclusion Policy for more detail on the matter at <https://www.lior-gp.com/>).

In line with our investment process, LIOR's ESG methodology is a risk-based approach. As a global macro asset manager, LIOR does not prioritize one pillar (E) over the others (S, G). Therefore, LIOR aims to minimize the ESG risk of our portfolio through our exclusion and scoring policies.

Each sub-industry within LIOR's portfolio has a different weighting for the E, S, and G pillars. Currently, we do not have a preferred climate scenario. However, a reassessment of our approach may be considered as issuer-specific data becomes more available.

Historical Comparison

In end of October 2022, LIOR Global Partners launched a new fund, Fixed Income Low Volatility focused. In February 2023, LIOR Global Partners launched a new funds, Cash Management focused. The launch of these two funds increases the exposure to financials, auto and auto parts sectors. In addition, these launches have increased the company's assets to invest. This increase can explain the rise in metrics of some indicators depending on the total total amount invested (indicators 1, 2 and 3 for example).

Moreover, the part invested in corporates compared to sovereign greatly increase over 2023 compared to 2022. Indeed, the average percentage of assets invested in corporates was about 29% when it rise to around 44% in 2023, to the detriment of exposure to sovereigns. This large change in exposure could also have a big impact on indicators linked to corporates data.

To conclude, LIOR Global Partners is confident that we improved the metrics presented in this document regarding the changes expressed above.