

## Exclusion policy

The exclusion policy is the first step of our investment process. It allows us to determine the contours of the investable universe.

A company is excluded from GATE Capital Management (“GCM”) investable universe in the following cases:

- 1. Its activity is controversial with regard to the ethical criteria of GCM
- 2. It is subject to significant ESG controversies (incidents, scandals...)

The exclusion policy is valid for all asset classes and geographical areas. It is based on the Paris-aligned Benchmark (PAB) exclusions.

### *Exclusion overview*

Criterion	Short description	Revenue Threshold
Controversial weapons	Producer of controversial weapons (antipersonnel mines, cluster bombs, biological/chemical weapons, depleted uranium, and nuclear weapons)	0%
Tobacco	Production and sale of tobacco	0%
Violation of the Global Compact Principles and severe controversies	Companies involved in severe violations of human rights or that breach one of the UN Global Compact Principles	0%
Hard coal and ignite	Companies involved in the exploration, mining, extraction, distribution or refining of hard coal and lignite	>1%
Oil	Companies involved in the exploration, extraction, distribution or refining of oil fuels	> 10%
Gaseous fuels	Companies involved in the exploration, extraction, manufacturing or distribution of gaseous fuels	> 50%
Coal electricity generation	Companies that simultaneously have a significant involvement in the coal business and lack a solid transition strategy towards a low-carbon economy	>50% of revenue with a GHC intensity of more than 100g CO <sub>2</sub> e/kWh

### **1. Companies with controversial activities**

#### **Controversial weapons**

GCM has adopted a policy on controversial weapons to avoid investment (materiality threshold: >0% of revenues) in companies involved in antipersonnel mines, cluster bombs, biological/chemical weapons, depleted uranium, and nuclear weapons.

More precisely, GCM excludes companies involved in:

- Anti-personnel mines (legal obligation) - Ottawa Mine Ban Convention 1997.
- Cluster munitions (legal obligation) - Oslo Convention on Cluster Munitions in 2008.
- Chemical Weapons - 1993 Geneva Chemical Weapons Convention
- Biological or Bacteriological Weapons - Biological and Toxin Weapons Convention of 1972.
- Nuclear First Strike or Weapons of Mass Destruction - 1968 Treaty on the Non-Proliferation of Nuclear Weapons

#### **Tobacco**

We avoid from our labeled funds’ investment universe companies involved in the production and sale of tobacco (materiality threshold: >0% of revenues).

## **Coal**

### **a- Hard coal and lignite**

The environmental impact associated with the use of coal is highly significant (hard coal and lignite). Once extracted, it is burned and the CO<sub>2</sub> emissions generated are among the most polluting. GCM considers that investments in companies most exposed to coal related activities should be avoided.

We exclude companies involved in the exploration, mining, extraction, distribution or refining of hard coal and lignite (materiality threshold: >1% of revenues).

### **b- Coal electricity generation**

GCM excludes companies that simultaneously have a significant involvement in the coal business and lack a solid transition strategy towards a low-carbon economy. We exclude companies that have more than 50% of their revenue with a GHC intensity of more than 100 CO<sub>2</sub> e/kWh. Additionally, GCM excludes companies developing new coal-fired power plants.

To implement its coal policy, GATE Capital Management uses data provided by LSEG Refinitiv and Urgewald's Global Coal Exit List (GCEL). Based on data obtained from these providers, GCM draws up a list of companies to exclude. The list of companies excluded by this coal exit policy is updated once a year for data extracted from the GCEL and quarterly for data extracted from LSEG Refinitiv.

## **2. Companies with significant ESG controversies**

### **Violations of the UN Global Compact**

GCM exclude companies that seriously and repeatedly violate one or more of the 10 principles of the United Nations Global Compact (UNGC) without credible corrective measures. No direct investments are made in companies that “fails” to adhere to the principles.

To help implement its policy, GCM uses data provided by LSEG Refinitiv.

### **Severe controversies**

GCM excludes companies involved in the most severe controversies. No direct investments are made in companies that have a score below “D” under the LSEG Refinitiv scale

An alert system is programmed with LSEG Refinitiv in order to inform the management team every two weeks of the evolution of controversies, significant or not, of the companies covered.

### **Continuous Monitoring**

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

- Pre-trade controls via the PMS and the EMS, blocking any order that would lead to any buy order on a security excluded from the investment universe, and triggering an ad-hoc validation/rejection procedure.
- Permanent and periodic controls are carried out by the Chief Risk Officer. As part of the permanent control, we review the LSEG rating regularly that make sure that no “D” rating are present in the portfolio. If that were to happen, the exposure to the company would be sold.

### **Urgewald's Global Oil and Gas Exit List (GOGEL)**

The Global Coal Exit List created by the German NGO Urgewald, which includes companies that produce and consume coal. A company is included in the list if it meets at least one of the following criteria.

- Relative criteria: 20% of revenues are from coal or 20% of energy production is from coal.
- Absolute criteria: annual thermal coal extraction greater than 10 million tons per year or power generation capacity greater than 5 GW from thermal coal.
- Expansion criteria: the company develops new coal mines, new coal-fired power plants or coal-related infrastructure.

More information on : <https://www.coalexit.org/>

## Refinitiv Controversies methodology

The ESG controversies score is calculated based on 23 ESG controversy topics. During the year, if a scandal occurs, the company involved is penalized and this affects their overall ESGC score and grading. The impact of the event may still be seen in the following year if there are new developments related to the negative event; e.g., lawsuits, ongoing legislation disputes or fines. All new media materials are captured as the controversy progresses. The controversies score also addresses the market cap bias from which large cap companies suffer, as they attract more media attention than smaller cap companies.

List of all controversy measures that make up the ESG controversy category score.

Category	Name (N)	Label (L)	Description (D)
Community	TR.ControvAntiCompetition	Anti-competition controversies	Number of controversies published in the media linked to anti-competitive behaviour (e.g., anti-trust and monopoly), price-fixing or kickbacks.
Community	TR.ControvBusinessEthics	Business ethics controversies	Number of controversies published in the media linked to business ethics in general, political contributions or bribery and corruption.
Community	TR.ControvCopyrights	Intellectual property controversies	Number of controversies published in the media linked to patents and intellectual property infringements.
Community	TR.ControvCriticalCountries	Critical countries controversies	Number of controversies published in the media linked to activities in critical, undemocratic countries that do not respect fundamental human rights principles.
Community	TR.ControvPublicHealth	Public health controversies	Number of controversies published in the media linked to public health or industrial accidents harming the health and safety of third parties (non-employees and non-customers).
Community	TR.ControvTaxFraud	Tax fraud controversies	Number of controversies published in the media linked to tax fraud, parallel imports or money laundering.
Human rights	TR.ControvChildLabor	Child labour controversies	Number of controversies published in the media linked to use of child labour issues.
Human rights	TR.ControvHumanRights	Human rights controversies	Number of controversies published in the media linked to human rights issues.
Management	TR.ControvMgtComp	Management compensation controversies count	Number of controversies published in the media linked to high executive or board compensation.
Product responsibility	TR.ControvConsumer	Consumer controversies	Number of controversies published in the media linked to consumer complaints or dissatisfaction directly linked to the company's products or services.
Product responsibility	TR.ControvCustomerHS	Customer health and safety controversies	Number of controversies published in the media linked to customer health and safety.
Product responsibility	TR.ControvPrivacy	Privacy controversies	Number of controversies published in the media linked to employee or customer privacy and integrity.
Product responsibility	TR.ControvProductAccess	Product access controversies	Number of controversies published in the media linked to product access.
Product responsibility	TR.ControvRespMarketing	Responsible marketing controversies	Number of controversies published in the media linked to the company's marketing practices, such as over-marketing of unhealthy food to vulnerable consumers.
Product responsibility	TR.ControvResponsibleRD	Responsible R&D controversies	Number of controversies published in the media linked to responsible R&D.
Resource use	TR.ControvEnv	Environmental controversies	Number of controversies related to the environmental impact of the company's operations on natural resources or local communities.
Shareholders	TR.ControvAccounting	Accounting controversies count	Number of controversies published in the media linked to aggressive or non-transparent accounting issues.
Shareholders	TR.ControvInsiderDealings	Insider dealings controversies	Number of controversies published in the media linked to insider dealings and other share price manipulations.
Shareholders	TR.ControvShareholders	Shareholder rights controversies	Number of controversies published in the media linked to shareholder rights infringements.
Workforce	TR.ControvDiversityOpportunity	Diversity and opportunity controversies	Number of controversies published in the media linked to workforce diversity and opportunity (e.g., wages, promotion, discrimination and harassment).
Workforce	TR.ControvEmployeesHS	Employee health and safety controversies	Number of controversies published in the media linked to workforce health and safety.
Workforce	TR.ControvWorkingCondition	Wages or working conditions controversies	Number of controversies published in the media linked to the company's relations with employees or relating to wages or wage disputes.
Workforce	TR.Strikes	Strikes	Has there has been a strike or an industrial dispute that led to lost working days?

ESG controversies often involve alleged violations or imply violations of national or international conventions and commonly accepted global norms.

More information on the methodology can be found on the Refinitiv website :

[https://www.lseg.com/content/dam/data-analytics/en\\_us/documents/methodology/lseg-esg-scores-methodology.pdf](https://www.lseg.com/content/dam/data-analytics/en_us/documents/methodology/lseg-esg-scores-methodology.pdf)

The controversy score range from A (best) to D (worst). GATE Capital Management will not invest in companies that have a D' score.