



# Sustainability Risk Management Policy for our SFDR Article 8 Funds

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## 1) Definition and regulatory context

**Regulation (EU) 2019/2088** on sustainability reporting in the financial services sector (“SFDR”) defines sustainability risks as “an event or situation in the environmental, social or environmental fields. governance which, if it occurs, could have a material adverse impact, actual or potential, on the value of the investment”.

This document responds to **Article 3 of the SFDR Regulation** by detailing how GATE Capital Management identifies and mitigates sustainability risks in its investment decision-making processes.

## 2) Consideration of sustainability risk in the management process

GATE Capital Management deploys a responsible investment strategy and takes sustainability risks into account throughout the management process through:

- A normative and sectoral exclusion;
- The systematic integration into our stock analysis of ESG data provided by our external service provider, Refinitiv. The objective of our funds is to outperform the investable universe in terms of ESG risk rating;
- Regular monitoring of sustainability indicators and ESG performance at company and portfolio level;
- Strict control and monitoring of ESG controversies;
- A commitment policy which aims to encourage companies to improve their practices around major environmental, social and governance issues.

### a- Exclusion policy

GATE Capital Management excludes direct investment in companies involved in controversial weapons:

- Biological weapons within the meaning of Law No. 72-467 (June 9, 1972)
- Chemical weapons within the meaning of the Paris Convention (1993)
- Cluster munitions (ASM) within the meaning of the Ottawa Convention (1997)
- Antipersonnel mines (MAP) within the meaning of the Oslo Convention (2008)

GATE Capital Management has also defined sector exclusions:

- Addictions (drugs, tobacco, gambling and betting)
- Environment (thermal coal, petroleum, palm oil)
- Respect for the person (pornography, violence)

In addition to normative and sectoral exclusions, we systematically exclude from the investable universe values that are the subject of significant controversies and violations of the United Nations Global Compact Principles.

Gate Capital Management's exclusion policy is available at:


<https://gatecapitalmanagement.com/about/ESG/>

## b- Sustainability risk assessment

The sustainability risk analysis and assessment methodology is based on the expertise of our external service provider, Refinitiv, whose ESG rating measures a company's performance and degree of sustainability risk, as well as the degree transparency in its ESG data publications. It classifies companies into four categories: A (excellent), B (good), C (satisfactory), and D (unsatisfactory) with nuances for each category (example: A+, A, A-). These risk categories are absolute, reflecting a comparable level of ESG performance regardless of sector.

Score range	Grade	Description
0.0 <= score <= 0.083333	D -	'D' score indicates poor relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly.
0.083333 < score <= 0.166666	D	
0.166666 < score <= 0.250000	D +	
0.250000 < score <= 0.333333	C -	'C' score indicates satisfactory relative ESG performance and moderate degree of transparency in reporting material ESG data publicly.
0.333333 < score <= 0.416666	C	
0.416666 < score <= 0.500000	C +	
0.500000 < score <= 0.583333	B -	'B' score indicates good relative ESG performance and above- average degree of transparency in reporting material ESG data publicly.
0.583333 < score <= 0.666666	B	
0.666666 < score <= 0.750000	B +	
0.750000 < score <= 0.833333	A -	'A' score indicates excellent relative ESG performance and high degree of transparency in reporting material ESG data publicly.
0.833333 < score <= 0.916666	A	
0.916666 < score <= 1	A +	

ESG laggards



ESG leaders

Source: Refinitiv, December 2023

To perform this analysis, Refinitiv covers more than 630 company-level ESG indicators, including a subset of 186 of the most comparable and meaningful indicators by industry. These measures are grouped into 10 categories which calculate the scores of the 3 pillars E, S and G, and the final ESG score, reflecting the company's ESG performance, commitment and effectiveness based on publicly communicated information:

### Environmental:

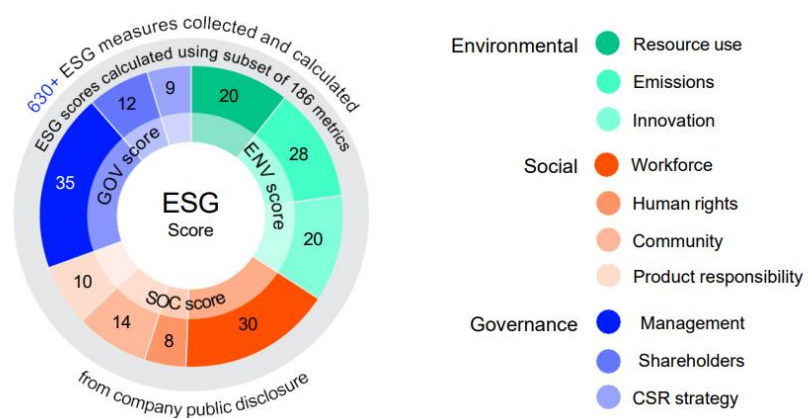
- Resource usage
- Carbon emissions
- Innovation

### Social :

- Workforce
- Human rights
- Community
- Product reliability

### Governance :

- Management
- Shareholders
- Corporate social responsibility



Source: Refinitiv, December 2023

For example, within the Governance pillar, Refinitiv will analyze, among other things, the structure of the Board of Directors, remuneration policies, the quality and integrity of the Board and business ethics.

Another example, within the Environment pillar, for the “Emissions and management of effluents and waste” criterion, Refinitiv will be interested in the waste produced by the company's operational activities in the air, water and soil, the exclusion of greenhouse gases. Depending on the industry, or the company's activity, the analysis will focus on one or more of these waste streams.

Refinitiv also seeks to assess the extent to which the company, and in particular its governance, has put in place the appropriate policies, commitments and tools to deal with it. The objective is to be able to measure the capacity of company management to mitigate these ESG risks.

The final ESG score calculated by Refinitiv is the average between the ESG score and the controversy score calculated on the basis of 23 controversial topics and defined between 0-100 (100 being the best score, denoting the absence of controversy). If the controversy rating is better than the ESG rating, the latter will be retained. Otherwise, Refinitiv takes the average of the two scores. Gate Capital Management funds must outperform their investable universe in terms of ESG risks.

### c- Sustainability indicators

GATE Capital Management monitors the ESG performance of its investments on a selection of key indicators at portfolio level – such as greenhouse gas emissions relative to turnover and the rate of independence on the Board of Directors, which are compared with the indicators calculated at the level of the investable universe of the fund.

### d- Engagement policy

Despite its status as a minority shareholder, GATE Capital Management promotes the improvement of extra-financial practices in its dialogue with companies. We encourage the companies in which our funds are invested to improve their CSR policies and practices by engaging in direct dialogue. This desire for dialogue around ESG issues mainly involves discussions and meetings with company management.

### 3) ESG governance

Internal committees and meetings are held to discuss and monitor issues related to sustainable investing, including risks associated with sustainability.

Pre-negotiation investment committees meet regularly and on an ad-hoc basis if necessary to supervise the investment universe, the sectoral exclusion approach, the performance and ESG risks of companies, as well as the study of controversies.

GATE Capital Management carries out pre-trade tests to ensure that transactions respect sustainability constraints (coal exclusions, gambling, etc.). Software solutions are used to automate this testing and alert the management and risk team of a potential breach (via the Alphadesk PMS). These alerts may include detailed information about the nature of the violation and the necessary actions. Despite automation, human validation is often necessary. Managers review the alerts generated to ensure the validity of the transaction.

GATE Capital Management ensures regular post-trade monitoring of the extra-financial performance of companies and periodically updates the ESG rating. The management and risk team also monitors ESG controversies using alert systems via the external service provider. The downgrade or appreciation of an ESG rating is always notified and may be subject to more in-depth monitoring.