# ESG Integration Global Policy

## February 2024

LFIS Capital - Simplified joint stock company with capital of €10,000,000
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## 1. Introduction

LFIS Capital ("LFIS") is an independent French asset management company founded in 2013, specializing in quantitative portfolio management and risk monitoring of portfolios of so-called complex products as defined by the AMF (such as structured products and derivative financial instruments). LFIS has developed a portfolio management infrastructure entirely dedicated to derivatives, structured solutions and quantitative strategies that enables it to identify, evaluate, implement and manage risks on a broad universe of investment opportunities in different asset classes and financial instruments.

LFIS believes that environmental, social and governance ("ESG") considerations will increasingly drive economies and markets, and that integrating an ESG approach into our investment strategies must, in our view, reflect a long-term vision, and be part of a process of continuous, gradual and prudent improvement.

This is why LFIS is reinforcing its transition to a socially responsible investor approach by implementing new strategies that integrate environmental, social and governance ("ESG") issues.

As such, LFIS intends to integrate sustainability risks into its investment decision-making process and management practices, in accordance with and to the extent described in this Responsible Investment Policy (the "Policy").

Since February 2024, LFIS has been a signatory of the UN PRI (United Nations Principles for Responsible Investment).

## 2. General principle

Although this is an entity-wide policy that establishes a common ESG criteria integration philosophy across all investment strategies, several LFIS strategies have adopted bespoke methodologies to advance responsible investment practices.

The EU Sustainable Finance Disclosure Regulation ("SFDR") requires entities to publish information on sustainability issues and communicate it to their customers. Section 4 of this document sets out LFIS's

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policies for integrating **sustainability risks**[1] into the investment decision-making process, in accordance with Article 3 of the SFDR.

## 3. Governance and Implementation

LFIS has set up an ESG committee made up of several members with complementary profiles. The aim of the committee is to assess the opportunities, challenges and risks associated with ESG, and to oversee the implementation of the ESG integration process in our funds. The committee is informed by a constant regulatory watch on current legal provisions and developments in the European regulatory framework.

The ESG criteria integration process also includes a quaterly ESG Committee meeting attended by the following members: the Chairman, the Chief Executive Officer (CEO), the Head of Investment Management/Solutions (CIO), a quantitative manager/analyst, the Head of Risk Control (CRO), the Head of Compliance and Internal Control (RCCI), the Head of Sales, and the Head of Marketing and Communication.

Where applicable, ESG issues are fully integrated into our control system. LFIS monitors and controls our contractual extra-financial commitments in pre/post trade. To do this, we rely on external extra-financial data providers (Sustainalytics, Bloomberg). Managers and control teams have access to ESG ratings (raw data) of issuers, as well as sector and controversy exclusion indicators, international norms and standards (UNGC/OECD), and negative impact indicators (PAI) in accordance with SFDR regulations. LFIS also implements a policy of excluding issuers subject to international sanctions.

## 4. Exclusion policies

### a. Exclusion of prohibited weapons

LFIS excludes from all its active and systematic management portfolios securities issued by companies considered to be clearly or very probably involved in the development, production, use, maintenance, sale, distribution, import or export, storage or transport of weapons prohibited by international conventions.

We comply with the following international conventions:

- **Anti-personnel mines** - Anti-personnel Mine Ban Convention ("Ottawa Convention")
- **Cluster munitions** - Convention on Cluster Munitions ("Oslo Convention")

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This exclusion policy applies to all our active management and structured solutions strategies.

Some funds exclude other "controversial weapons" such as depleted uranium weapons and white phosphorus. These exclusions are mentioned in the prospectuses of the funds concerned.

We work with an external data provider to identify companies involved in the production of prohibited weapons. LFIS implements these exclusions on a best-efforts basis through its investment restriction process. The consistency of our investments with the list of prohibited companies is checked on an ongoing basis.

### b. Exclusion of thermal coal and tobacco

Although this exclusion policy is not generalized to all fund investment policies, LFIS is also able to integrate into some of its investment strategies a sectoral exclusion policy relating to thermal coal and tobacco, whose activity runs counter to the United Nations Development Program's Sustainable Development Goals and whose social impacts are particularly negative.

So..,

- LFIS excludes companies whose sales or a significant proportion of their business revenues depend mainly on the extraction or use of thermal coal;
- LFIS thus excludes companies manufacturing tobacco products.

## 5. ESG integration in investment process

This section presents LFIS's policy regarding the integration of sustainability risk into the investment decision-making process, in accordance with Article 3 of the SFDR. This section of the Policy thus addresses sustainability risk from the perspective of the risk that ESG events may have a negative impact on the value of the Company's clients' investments.

Aware of the negative impact that sustainability risks can have on the value of financial products, LFIS seeks to integrate a number of important sustainability issues into its investment processes. As such, LFIS continues to develop its policies and procedures to facilitate pre-investment analysis and monitoring of relevant sustainability risks during the investment period.

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Where the management objective allows, since 2021 LFIS has positioned itself in funds that comply with articles 8/9 of the EU Sustainable Investment Transparency Regulation. LFIS currently manages Article 6 funds and several funds eligible for Article 8 - SFDR; in the case of funds eligible for Article 8 - SFDR, we apply investment minimums taking into account ESG considerations based on proprietary methodologies.

To this end, LFIS uses various sources of information to collect data on sustainability-related risks. However, the methodology for taking derivatives into account in the regulations currently under development has not yet been finalized.

## 6. Voting and shareholder engagement policy

Given the quantitative nature of LFIS' investment strategies, we have determined that it would not be appropriate to exercise voting rights on behalf of the funds and/or mandates managed by LFIS.

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