Memo on Towards Sustainability Exclusions & Restrictions

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Table of contents

Definitions

LOIM	Lombard Odier Investment Managers
LOIM Towards Sustainability Label Funds	Investment funds managed by the LOIM group which have attained the Towards Sustainability label certification.

Background

The Towards Sustainability label is based on specific quantitative and qualitative rules referred to as Quality Standards. It requires exclusion of the financing of a limited number of practices that are widely regarded as unsustainable. The Quality Standards do not stipulate how the requirements should be fulfilled in practice: this is left to the expertise of the portfolio manager. The standard provides a mix of exclusion, impact, engagement, transparency, and accountability. The balance of these elements and the specific requirements associated, will evolve, and be adapted over time to reflect the evolving expectations of investors and the needs of society, and the legislative translation of these needs and expectations. As such, the Quality Standards are not fixed and shall be evaluated regularly in a multi-stakeholder context.

Purpose

The purpose of this memorandum is to set out the restrictions which LOIM has determined to follow in respect of LOIM Towards Sustainability Label Funds.

Restrictions

LOIM shall restrict investment in the following companies in respect of LOIM Towards Sustainability Label Funds:

<u>Exclusions</u>

- Controversial weapons: shall be restricted in accordance with LOIM's Exclusion Policy.
- Essential food commodities: shall be restricted in accordance with LOIM's Exclusion Policy.
- Oppressive regimes*:* Please refer to LOIM Financial Sanctions & Embargoes Policy for further information.

<u>Sector restrictions</u>

Unless otherwise validated in accordance with LOIM's exclusion override process as detailed below, LOIM shall restrict investments in the following companies for the LOIM Towards Sustainability Label Funds:

Tobacco:

- Companies deriving more than 5% (included) of their revenues from either production of tobacco products or retailing of tobacco products/services shall be excluded.

Conventional weapons:

- Firearms: companies deriving more than 5% (included) of their revenues from firearms. All categories (military/civilian customers, manufacturers/retail/distribution, key components manufacturers) shall be excluded.
- Military contracting: companies deriving more than 5% (included) of their revenues from manufacturing military weapon systems and/or integral, tailor-made components or these weapons or providing tailor-made products and/or services that support military weapons shall be excluded.

Coal:

- Companies operating in thermal coal mining and/or thermal coal power generation shall meet all the following criteria:
  - The company's absolute production of or capacity for thermal coal-related products/services shall not be increasing.
  - The company shall meet at least one of the following criteria:
    - have a SBTi ("Science Based Targets initiative") target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
    - derive less than 5% of its revenues from thermal coal mining and/or thermal coal power generation
    - have less than 10% of CapEx dedicated to thermal coal mining and/or thermal coal power generation and not with the objective of increasing revenue

        ▪ have more than 50% of CapEx dedicated to contributing activities

Unconventional oil & gas:

- Companies with revenues derived from activities related to unconventional oil & gas, namely tar sands, shale gas and oil and artic oil & gas exploration, shall meet the following criteria:

  - The company's absolute production of or capacity for unconventional oil and gas-related products/services shall not be increasing.
  - The company shall meet at least one of the following criteria:
    - have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
    - derive less than 5% of its revenues from unconventional oil and gas-related activities
    - have more than 50% of CapEx dedicated to contributing activities

Conventional oil & gas:

- Companies with revenues derived from activities related to exploration, extraction, refining and transportation of oil and gas, or providing dedicated equipment or services shall meet one of the following criteria:
  - have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
  - derive less than 5% of its revenues from oil and gas-related activities
  - have less than 15% of CapEx dedicated to oil and gas-related activities and not with the objective of increasing revenue
  - have more than 15% of CapEx dedicated to contributing activities

Power generation:

- Companies with revenues derived from activities related to the generation of power/heat from non-renewable energy sources, or providing dedicated equipment or services shall meet the following criteria:
  - the company's absolute production of or capacity for non-renewable energy-related products/services shall not be structurally increasing.
  - the company's absolute production of or capacity for contributing products/services shall be increasing, subject to data availability.
  - the company shall meet at least one of the following criteria:
    - have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
    - derive more than 50% of its revenues from contributing activities
    - have more than 50% of CapEx dedicated to contributing activities
    - have a carbon intensity lower than the annual threshold shown below

	2019	2020	2021	2022	2023	2024	2025
Max. gCO_2/kWh	429	408	393	374	354	335	315

Phase-out margin for conventional oil & gas and/or power generation

- The phase-out margin applicable only to companies involved in conventional oil & gas and/or power generation is established to capture companies that are transitioning towards Paris agreements targets. Notwithstanding the above-described restrictions, companies involved in conventional oil & gas and/or power generation are deemed eligible for investment if they meet the following criteria
  - the company must not be increasing the use of non-renewable energy-related products/services.
  - the total portfolio phase-out margin exposure will be 5%. This will decrease by 1% each year, starting 1 January 2023.
  - the company must be an 'ESG leader' and be within the top 25% when rated against it peers. The company must also have a strategy to reduce the adverse impact of their activities, and to increase their contributing activities.
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Use-of-proceeds Instruments

Per the Revised Towards Sustainability Quality Standard Final criteria issued in the May 2021, use-of-proceeds instruments issued by companies that do not comply with the above criteria, can be eligible for inclusion in the fund.

Other key ESG issues

Biodiversity, Water utilisation, waste management, taxation, gender & diversity

The Lombard Odier ESG/CAR Industrial Materiality Rating Methodology ("Rating Methodology") used in connection with the management of LOIM Towards Sustainability Label Funds encompasses relevant indicators covering not only greenhouse gas emissions and energy performance, but also biodiversity, water utilisation, waste management, social and employee matters, human rights and anti-corruption and bribery. Considerations and valuation of these key ESG issues are embedded in the ESG score produced by the [Rating Methodology].

Please see below a non-exhaustive list of indicators considered in the Rating Methodology:

- Water utilisation: Water intensity, Water Risk Management, Water Management Programmes

- Taxation: Tax Disclosure
- Biodiversity: Environmental Policy, Environmental Management System, Natural Resource Use-Direct Impact Ratio (%), CDP forest data, Biodiversity Programmes, Land Use and Biodiversity, Forest Certifications, Animal Welfare Policy
- Waste management: Mineral Waste Management, Radioactive Waste Management, Emissions Effluents and Waste, Noise Management
- Gender & diversity: Discrimination Policy, Diversity Programmes, Freedom of Association Policy, Board Structure, Board/Management Quality & Integrity, Remuneration & Gender Pay Gap

LOIM reserves the right to amend, adjust, replace or cease using the Ratings Methodology at any time

Overrides

The restrictions set out in this memorandum may be overridden by the LOIM Head of the Sustainable Investments at the request of a portfolio manager in the below described situations. The exclusion criteria for controversial weapons, essential food commodities and oppressive regimes cannot be overridden.

The LOIM Head of the Sustainable Investments may consider granting an override based on reasonable and documented cases, including the following situations:

- The data provided by relevant data agencies is out of date and information available to the LOIM investment team indicates that the relevant exclusion would not in fact be breached.
- Net short relative value positions for long short strategies and in particular for 1798 branded funds.

Amendments

This memorandum may be amended, adjusted and/or withdrawn at any time and with immediate notice. This memorandum does not propose to amend and/or restrict the investment guidelines as described in the relevant prospectus of any fund.