



CHOM CAPITAL
PERFORMANCE DRIVEN BY SUSTAINMENTALS®



Exclusion Guideline

Policy for Company Exclusions

July 2024





CHOM CAPITAL
PERFORMANCE DRIVEN BY SUSTAINMENTALS®

Our Mission

CHOM CAPITAL's mission is to create sustainable added value for investors.

Sustainability is a key element of our identity and the decisions we make, both as entrepreneurs and as asset managers. As such, we are committed to the principles of good corporate governance, a socially responsible human resources policy and an economically conscious use of our natural resources. In the spirit of sustainable finance, we want to make a positive contribution to climate change with our products and promote the allocation of financial flows to sustainable companies.

Contents

- 1. Our Identity..... 4
- 2. Company Exclusions..... 5
 - 2.1 Negative Criteria 5
 - 2.2 Investability Criteria 6

1. Our Identity

As an owner-managed asset management boutique, we act for our investors independently of corporate guidelines and index ties on the basis of a profound fundamental and sustainability analysis. The inclusion of non-financial criteria such as environmental, social and corporate governance aspects - together referred to as ESG criteria - is an integral part of our corporate strategy.

We are committed to responsible corporate governance and a sustainable human resources policy. As a company, we want our products to make a positive contribution to the UN Sustainable Development Goals and promote the allocation of financial flows in this regard.

For us, responsible investing means consistently placing the customer's benefit and investment success at the center of our actions. As an active, long-term oriented and fundamentally driven investor, our ESG strategy consistently builds on our strengths: it focuses on identifying lasting value drivers. Sustainability thus flows into our investment decisions in terms of its relevance for investment success.

We are committed to the following overarching principles and internationally recognized standards:

- Ethical and social benchmarks: The United Nations Human Rights Principles and the 17 Sustainable Development Goals provide the superstructure for our environmentally and social convictions.
- Our exclusion criteria: We do not tolerate serious violations of the ILO Core Labor Standards, the UN Global Compact Principles and the OECD Principles for Multinational Enterprises.
- For the financial industry: We are committed to the acceptance and implementation of the United Nations Principles for Responsible Investment (PRI) and follow the BVI Rules of Conduct.

Integrating ESG into our investment process and actively and responsibly exercising the shareholder rights of the investments held in our funds are essential building blocks for CHOM CAPITAL in fulfilling our fiduciary duty. We are convinced that companies that act according to standards of good corporate governance have a superior risk-return profile in the long term. That is why we regard such investments as a worthwhile investment for the future, also in terms of performance. Our self-understanding is reflected in a simple equation: "Sustainability" + "Fundamentals" = "Sustainamentals®". We call the result:

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2. Company Exclusions

As CHOM CAPITAL, we are measured by our investors' aspiration to generate consistent added value with our investment products. In the spirit of sustainable finance, we do not focus solely on traditional financial metrics and a superior risk-return profile, but also consistently incorporate good corporate governance, social aspects and their environmental contribution. The application of ESG criteria, together with conventional financial analysis, forms an integral part of every level of our multi-stage investment process: investment universe, security selection and portfolio construction, as well as the monitoring of our investments.

Company exclusions based on negative and investability criteria are an important element of this investment process. In a first step, we apply our negative criteria to our investment universe through an exclusion filter. Securities that are not filtered out here form our investment universe. In the context of stock selection and portfolio construction, we analyze companies that are interesting to us from both a fundamental and an ESG perspective. The central step before an investment decision is the application and review of the investability criteria. A violation of these criteria leads to a decision against an investment.

2.1 Negative Criteria

The European investment universe comprises approximately 6,000 listed companies. A total of approximately 2,100 listed European companies meets the liquidity requirements of our portfolios and are defined as investment universe. In addition, we narrow down the investment universe with a standards-based ESG screening according to strict exclusion criteria.

All companies that do not comply with certain international principles and standards are not invested in. For example, a lack of commitment to the core labor standards of the International Labor Organization (ILO), including the prohibition of forced labor and child labor, leads to an exclusion, as do violations of the UN Global Compact principles. In line with the approach of the German Sustainable Investment Forum (Forum für Nachhaltige Geldanlagen, "FNG"), we also exclude companies that have any connection with outlawed products. In concrete terms, this means strict exclusion of cluster bombs, land mines, nuclear, biological, chemical, energy, precision-guided and other non-conventional weapons.

Further tightening results from only low revenue tolerances (5% of total revenues) for coal production and power generation, nuclear energy, uranium mining, unconventional oil and gas production (e.g. fracking, oil sands), conventional weapons, gambling, tobacco production and pornography. Furthermore, we exclude companies with material controversies or a poor ESG rating ("CCC") from our sustainability rating agency MSCI ESG Research.

Despite the strict guidelines, a broad investable investment universe of around 2,000 European companies remains, which forms the basis for an attractive stock selection whilst maintaining the allocation and diversification requirements necessary for a concentrated portfolio.

2.2 Investability Criteria

None of our companies may violate our exclusion criteria and may not be rated lower than "B" on the MSCI ESG Research rating scale. We take great care to ensure that our companies make a positive contribution to the 17 United Nations Sustainable Development Goals and validate this through our contribution analysis. There must also be a positive result from the fundamental evaluation of the business model with a solid balance sheet and fulfillment of the Porter criteria. A successful management meeting as an important pillar of our investment process marks another investability criterion on the individual stock level. Potential new entries are also evaluated in terms of their marginal contribution to the overall fund rating as well as many other sustainability and fundamental KPIs such as the carbon footprint. When investing in a stock with a rating lower than "A", an ESG justification for inclusion in the portfolio must be provided by the relevant portfolio manager and the company is monitored particularly closely. In this way, sustainability risks can also be limited, measured and evaluated in the security management at portfolio level.

Consideration of PAIs in the Investment Process				
Schematic Comparison according to PAI criteria				
	PAI Exclusions	FNG Filter	CHOM Criteria	
PAI	→			
FNG	→			
CHOM	→			
Quantitative	Coal	>30%	>10%	>5%
	Conventional Weapons	>10%	>5%	>5%
	Controversial Weapons	>0%	>0%	>0%
	Tobacco Production	>5%	>5%	>5%
	Uranium-/Coal Mining	-	>5%	>5%
	Fracking/Oil Sands	-	>5%	>5%
	Nuclear Energy	-	>5%	>5%
	Gambling	-	-	>5%
Pornography	-	-	>5%	
Qualitative	UN Global Compact	Fail	Fail	Fail
	Severe Controversy	-	-	„Red Flag“ acc. to MSCI
	MSCI Rating CCC	-	-	Default acc. to MSCI

Source: European Commission, MSCI ESG Research, FNG, Own Representation

As of: June 2024