

# Exclusion Policy

June 2025



## **1. SCOPE**

This document sets out Aecus Partners' approach to investment exclusions. This firm-wide policy applies to all strategies and all assets managed by Aecus Partners.

## **2. BACKGROUND**

With our long-term growth investment strategy, at Aecus Partners we strive to identify high-quality companies that have the potential to grow their businesses for decades. We look for companies with a superior competitive advantage and the ability to remain financially resilient in the face of changing environments. To identify these rare companies, we incorporate non-financial research, including Environmental, Social, and Governance (ESG) considerations, into our investment process. Our selection criteria favours companies that demonstrate strong corporate governance and healthy relationships throughout their ecosystem (e.g. with customers, employees, suppliers, shareholders, regulators and the social and natural environments concerned and impacted by the company's activities). We believe that these factors contribute to enabling a company to grow its earnings over long periods of time.

One of the tools we employ in this context is the use of exclusions. As an active investment firm focused on investing in a small number of high-quality companies, we believe that exclusions serve mostly as a risk management tool to help us avoid exposure to companies that may pose financial risks or that may result in significant and unacceptable harm to stakeholders.

## **3. INDUSTRIES AVOIDED AS A RESULT OF OUR INVESTMENT STYLE**

It is our belief, and our experience, that high-quality companies with durable earnings growth are rare. We look for companies exhibiting the following characteristics, amongst others:

- Strong competitive advantage (e.g. an established brand, strong distribution network, innovation superiority, value chain relationships that are difficult to replicate)
- Sound balance sheet, with strong free cash flow generation and a demonstration of financial resilience during changing or difficult environments. We look for sustainably strong margins, high return on capital employed and enduring sources of recurring revenues
- Low earnings sensitivity to factors outside the company's control such as commodity prices, regulation, interest rates or foreign exchange rates
- Strong corporate governance and healthy stakeholder relationships, supported by a robust risk management framework

These factors help to establish visibility and conviction over a company's potential to deliver enduring earnings growth, which we believe will lead to share price appreciation over the long-term.

As a result of our investment style and our search criteria, our portfolios typically have no exposure to companies operating primarily and directly in the following activities:

- Oil and gas production and distribution, including companies involved in unconventional oil and gas including shale oil, shale gas, oil sands, arctic drilling, deepwater drilling and coalbed methane
- Coal mining, operating thermal coal mines, developing new coal mines or extending existing coal mines
- Traditional banking
- Industries subject to strong and frequently changing regulation and/or a political environment that may restrict or render highly volatile, a company's growth, such as regulated utilities, energy, tobacco, weapons
- Industries exposed to high levels of deforestation, environmental pollutants, poor labour relations and working conditions, such as palm oil

In our quest for finding companies with future earnings visibility, we also monitor and seek to avoid exposure to jurisdictions, countries and markets with known risks of political instability, violations of international law, undue governmental interference and lack of transparency.

#### **4. FIRMWIDE EXCLUSIONS**

##### **Product based**

##### **i) Controversial weapons**

Certain types of military weapons are considered controversial because of their potentially disproportionate or indiscriminate effects, widely considered unethical and inhumane. The international community has long recognised the devastating potential of biological, chemical, and unconventional weapons. International treaties have been established, aiming to prevent the proliferation and use of such weapons, including:

1. The Ottawa Treaty (1997) and the Convention on Cluster Munitions (2008), which prohibit the use, stockpiling, production and transfer of anti-personnel mines and cluster munitions
2. The Chemical Weapons Convention (1997) and the Biological Weapons Convention (1975), which prohibit the use, stockpiling, production and transfer of chemical and biological weapons
3. The Treaty on the Non-Proliferation of Nuclear Weapons (1968)
4. The 1980 Convention on Certain Conventional Weapons concerning non-detectable fragments (Protocol I), incendiary weapons (Protocol III) and blinding laser weapons (Protocol IV)

*Exclusion:* any companies directly involved in producing controversial weapons, or the components or services that are both essential to, and tailor-made, for them. This includes anti-personnel mines, cluster munitions, biological and chemical weapons, nuclear weapons that are not aligned with the Treaty of the Non-Proliferation of Nuclear Weapons, white phosphorus munitions, blinding lasers and non-detectable fragments.

**ii) Tobacco**

Beyond the detrimental impact in health, the tobacco industry is also a significant cause of environmental damage through deforestation, use of arable land, soil erosion and acidification as well as the lack of appropriate waste treatment.

*Exclusion:* any company that generates more than 0% of their revenues from the production of tobacco and more than 10% from the sales and distribution of tobacco.

**Behaviour based**

**iii) Business norms: responsible conduct**

Many businesses and organisations operate within specific frameworks of international standards designed to promote human rights, labour rights, environmental protection, and business ethics. These standards provide guidelines and best practices to ensure that corporate activities are conducted in a socially responsible manner.

Our qualitative investment selection criteria are structured to identify companies that value and nurture sustainable relationships with employees, clients and suppliers by integrating normative frameworks covering key social issues. We adhere to and support the principles of the United Nations Global Compact (UNGC), the United Nations Guiding Principles on Business and Human Rights (UNGPR), the International Labour Organisation (ILO) and the Organisation for Economic Cooperation and Development (OECD) guidelines for multinational enterprises.

*Exclusion:* any companies identified to be in violation of the [principles of the United Nations Global Compact](#) or the [OECD Guidelines for Multinational Enterprises](#), where there is no reasonable expectation of remedying the violation status. Aecus Partners will only accept to continue to own a company in its portfolios where the violation is determined to be temporary, meaning that a remedy for the situation can reasonably be expected to take place within a 3-year timeframe. The assessment and remedy period may involve direct engagement with the company.

**Sovereign-based**

**iv) Controversial jurisdictions / countries**

Aecus Partners will ensure compliance with relevant international sanctions provisions of the United Nations and the European Union, as amended and/or supplemented from time to time, and any mandatory (investment) restrictions that apply.

*Exclusion:* any companies subject to the United Nations and European Union sanction provisions. In the case of conflicting sanctions, the applicable sanctions from the EU will prevail. The Aecus UCITS ICAV funds are governed by EU law and are required to comply with EU sanctions.

## Firmwide Exclusion Summary

	Exclusion Category	Measure for screening	Threshold
<b>Product-based</b>	Controversial weapons	Revenues from production, key components or services	>0%
	Tobacco	Revenues from production  Revenues from sales and distribution	>0%  >10%
<b>Behaviour-based</b>	Controversial behaviour	UNGC and OECD compliance	Fail test, subject to engagement
<b>Sovereign-based</b>	Controversial jurisdictions / countries	United Nations and EU Sanction provisions lists	Fail test

## 5. CLIENT-SPECIFIC EXCLUSIONS

For segregated account clients, Aecus Partners is pleased to assess whether we may be able to accommodate specific exclusion criteria, subject to data availability.

## 6. DATA, PROCESS AND DIVESTMENT APPROACH

### Data

An Exclusion List of companies is maintained based on the screening of our investment universe for the exclusion criteria outlined in this policy. Data is sourced from an independent data provider. In cases where data is limited or does not meet qualitative standards leading to uncertainty and/or inconclusive results, Aecus Partners may use additional external data sources, consult industry experts and conduct proprietary research in order to form a view. The list is reviewed on a quarterly basis.

### Process

Our Portfolio Management System is programmed with pre-trade controls to ensure that any exposure to Exclusion List companies is identified. Pre-trade controls ensure that exclusion list securities are blocked in the trading system and therefore portfolio managers are unable to add these securities to a portfolio. Post-trade, periodic compliance monitoring takes place across all portfolio holdings to detect exposure to Exclusion List companies that may occur due to changes in our companies' activities (for example, as the result of a merger or acquisition).

### **Divestment**

In the case where a portfolio holding is identified as an exclusion list company, the investment team will:

- i) Verify that the data is correct and that the company warrants exclusion according to the policy;
- ii) Sell the security from all portfolios as soon as is practicably possible, ensuring that such trading is conducted in the best interests of our clients / shareholders of the affected funds

### **7. GOVERNANCE AND OVERSIGHT OF THE POLICY**

As a first level of control, the investment team monitors exclusions through the Portfolio Management System where the Exclusion List is recorded and pre-trade controls are in place ensuring that excluded securities cannot be traded.

The Compliance function acts as a second line of control to ensure that the exclusion strategy of Aecus Partners complies with regulatory, statutory and internal requirements.

The Executive Committee is responsible for the oversight of this policy's implementation.

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