

Exclusion Policy

March Asset Management

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Table of Contents

Background

Context and Scope

General Exclusion Policy

- Armament

- Tobacco

- Thermal Coal

- Activities in Oppressive Regimes

Exclusion Policy for SRI Products

- Adult Content/Pornography

- Gaming/Betting

- GMOs

- Alcohol

Exclusion Policy for Funds of Funds, Profiled Portfolios and Master - Feeder Structures

Evaluation and Implementation Process

- Identification of the company involved in controversial activities

- Analysis of the involvement with the disputed activity

- Decision on involvement

Standards-based analysis - United Nations Global Compact

Policy owner and updating

Background

In a rapidly changing world, our goal as an investment manager focuses on achieving sustainable returns for our long-term customers. Precisely as institutional investors, we have a duty to act in the best long-term interest of our unitholders.

As responsible investors we integrate ESG risks into our investment decision-making process. In doing so, we have identified certain sectors, products and services in which we will not invest above a certain level arising from ESG-related risks. These standards reflect our convictions as responsible investors. This policy complements our Sustainable and Responsible Investment Policy available on our website.

This exclusion policy helps us manage ESG and tail risks, which are key to long-term returns. This policy focuses on material issues such as health or social capital, as well as severe controversies and very low quality ESG. As we shall see, this policy implies the exclusion of tobacco-related companies, producers of white phosphorous weapons and companies that are in violation of the United Nations Global Compact.

March AM recognises the important role that asset managers play in addressing global challenges such as climate change, preserving biodiversity and ensuring decent working conditions and aims to advance their sustainability through their policies and practices.

Context and scope - exceptions

This controversial activities policy reflects March AM's commitment to sustainability. In it, March AM defines which activities will be excluded from the investments made by March AM vehicles due to their clearly recognised ethical and economic unsustainability. These excluded activities will always apply to companies, they would not apply to: a) issuing countries, b) derivatives on indices, currencies or commodities not excluded, and c) ETFs on the same assets. This policy is based on 4 different levels:

- 1) March AM's general exclusion policy: sets out exclusions of the most controversial and unsustainable activities for all March AM investments (controversial arms, thermal coal, tobacco, oppressive regimes)
- 2) Exclusion policy for SRI products; sets the most restrictive level of exclusions that includes some activities that are more widespread than the general policy (adult content, gambling, GMOs, etc.)
- 3) Exclusion policy for funds of funds, profiled and master feeder funds
- 4) Standards-based analysis - UN Global Compact

The exclusions policy at a general level and the rules-based analysis will apply to all assets held in the vehicles managed by March AM; for its application, March AM will use information provided by external exclusions analysis providers (selected with due

diligence) and other sources (media, NGOs, supranational organisations); in some (exceptional) cases and mainly as a consequence of the lack of information on certain companies by these providers, March AM will perform its own analysis to verify that the investment in question complies with the policy; however, in exceptional cases where our own analysis (mainly due to access to information) does not result in a conclusive decision the asset would not be automatically excluded.

General exclusion policy

Armament

The production and use of certain weaponry has been deemed unacceptable under international conventions and even illegal in certain jurisdictions as it can cause severe harm to civilian personnel during and after conflicts and have significant and long-term effects on the health and safety of the civilian population.

These controversial weapons regulated by international conventions refer to anti-personnel landmines, cluster munitions, chemical biological and nuclear weapons and white phosphorous weapons. These weapons have been identified as controversial and have been criticised on numerous grounds:

- 1) The indiscriminate nature of these weapons in their use, which is reflected in the fact that these weapons not only target military objectives, but also result in civilian casualties, damage to civilian infrastructure and other collateral damage.
- 2) They are weapons systems that cause superfluous damage and unnecessary suffering
- 3) The long-term humanitarian impact of such armaments, which can adversely affect health and hinder the development and reconstruction of previously war-torn areas.

March AM's policy with regard to contested weapons is based on the following international conventions:

- Oslo Convention on Cluster Munitions, which entered into force on 1 August 2010
- The Ottawa Convention on anti-personnel mines which entered into force on 1 March 1999
- The Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological, Biological and Toxin Weapons, which entered into force on 26 March 1975 and required their destruction, in force since 1975

- The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction, which entered into force in 1997
- The nuclear non-proliferation treaty, tightly controlled by the United Nations, which entered into force on 5 March 1975
- European Regulation (EU) 2018/1542 of 15 October 2018 on restrictive measures against the proliferation and use of chemical weapons.

Taking all these elements into account, March AM excludes from all of its investments all companies that:

- 1) They are directly involved in the development, production, testing, maintenance and sale of one or more of the following controversial weapons: a) anti-personnel mines; b) cluster bombs; c) chemical weapons; d) biological weapons; and e) white phosphorous weapons; in the latter case and derived from the fact that phosphorous has greater applications than weaponry, the exclusion would apply to companies that dedicate more than 15% of their revenues to the production, trade or maintenance of white phosphorous weapons.
- 2) In principle, subsidiaries or affiliates of excluded companies will not be excluded unless they are involved in the production, distribution or use of the contested weapons.

Producers of components and services sold for the purpose of developing or manufacturing nuclear weapons do not fall within the scope of this policy. The production of nuclear weapons is not currently prohibited by any international treaty (vs. biological or chemical weapons). March AM considers perfectly eligible companies whose business is related to the production of components or services of legal component nuclear weapons.

Tobacco

March AM believes that tobacco use and consumption results in negative health problems and represents one of the major causes of death globally.

Tobacco-related manufactured and marketed products include cigarettes, cigars and other products such as chewing, snuff or rolling tobacco.

March AM excludes all companies that are directly related to the tobacco industry that derive more than 20% of their revenues from the manufacture or marketing of tobacco-related products.

March AM does not a priori affect companies that are indirectly linked to the tobacco industry through the support of products or services such as parcels or distribution as their operations are not solely linked to the tobacco industry.

Thermal Coal

Metallurgical coal (key to steel production) does not fall within this policy given the absence of substitutes for metallurgical coal.

March AM excludes from its investments companies that are directly related to the thermal coal industry that derive more than 30% of their revenues from coal mining or coal-fired power generation or companies that are launching new coal projects. However, March AM is sensitive to the long-term nature of the transition to a low-carbon economy. The policy will therefore take into consideration the energy transition strategy of the companies affected by this policy and their implementation of explicit emission reduction targets, and exemptions to the policy may be made for specific companies.

Activities in oppressive regimes

The list of oppressive regimes consists of countries where human rights are severely violated on a regular basis, fundamental freedoms are denied and the security of the population is not guaranteed due to governmental failures and systematic ethical violations. We will also look extremely carefully at totalitarian regimes or those in which the government is linked to wars against its own population. In order to compile the list of oppressive regimes, we used Freedom House's Freedom in the World Index as the primary source of data; alternatively, data sets provided by the Freedom House may be used: a) the World Bank's Governance Indicators and b) the Economist Intelligence Unit's Democracy Index.

The presence of investments in oppressive regimes in March AM's portfolios will be monitored on a regular basis both in terms of investments in government products (issued debt) and in companies headquartered in countries where we believe the human rights risks are too high and unmitigated (equities and bonds). The SRI Committee will analyse this presence, individually by investment and jointly by portfolio, and their behaviour over time, and may establish concentration limits by product, and will make a reasoned decision on their exclusion on a case-by-case basis and within the SRI Committee. This analysis will weigh the potential benefits of activities in these countries against the risk of supporting totalitarian governments or anti-democratic practices.

Exclusion Policy for SRI Products

The exclusion policy for SRI products (art. 8 and art. 9 according to SFDR) encompasses the exclusions listed above plus:

Adult Content - Pornography

The adult content/pornography industry is widely criticised in society for its negative effect on society in general (regressive, stereotypical gender image, impact on human psychology, etc.). It is also necessary to take into account how it violates human dignity, its deplorable working conditions and its contribution to the spread of diseases. Considering the ethical/religious origins of ethical/sustainable investment, adult content has been excluded from many sustainable strategies since their origin (considered a sin for Christianity, Islam and Judaism). Currently, the exclusion of adult content is the fifth most excluded activity in the European SRI industry with more than 1/3 of sustainable strategies excluding it. This activity is prohibited by law in many geographical areas (most of Africa and Asia) and subject to regulation in India, Australia, Russia, South Africa and the UK. March AM is sceptical that this economic sector can make a positive contribution to sustainable development in the long term. In addition, March AM considers that this activity has inherent elements that make it difficult to comply with human rights principles and, therefore, March AM has decided to exclude this sector.

March AM includes in this typology investment that includes content that enables the delivery of material that is not appropriate for all audiences including adult content and violent content (acts of physical aggression by humans against humans), such as content that appeals to primary violence or provides explicit acts of sexual content. March AM's policy excludes companies that are pure providers of such content as well as any company that derives more than 15% of its revenue from adult content.

Gaming/Betting

Gambling is a controversial activity, regulated in many countries either by banning it (Japan, Poland...) or by limiting the availability of games/bets in order to protect vulnerable gamblers or to ensure that bets on gambling devices are statistically random. Gambling is considered by March AM as a controversial activity mainly due to the addiction problems involved and the associated personal risk of serious financial problems. Gambling addiction has been recognised as a mental condition by the WHO since 1982.

March AM's SRI strategies systematically excludes companies where gaming and services (gaming machines or software manufacturers, casinos, lotteries, betting shops, gaming websites, slot machines, content providers) represent more than 15% of their revenues.

GMO (Genetically Modified Organisms)

A genetically modified organism is an organism in which the genetic material has been altered in such a way that it does not occur naturally. March AM is aware of the uncertainties that accompany the production and uses of GMOs and takes a mixed

stance. Our analysis is based on the companies' exposure to GMOs, the existence of a responsible policy on the part of the company under analysis and compliance with international conventions on GMOs.

The characteristics of a responsible policy depend on the sector:

In the case of the food, beverage or retail sectors, they should at least take into account in their responsible policy clear labelling and traceability to provide consumers with an adequate basis of information when making purchasing decisions. Labelling must be complete with useful information.

In the case of the chemical, pharmaceutical, agricultural, biotech or health sectors, companies should recognise the ambivalent and potentially dangerous nature of GMOs, be compliant with the law, develop a risk analysis and control the use in company R&D.

March AM will exclude all companies where more than 15% of their revenues are related to GMO's without the existence of a responsible GMO treatment policy in place.

Alcohol

Although in many parts of the world alcoholic beverages represent an important and common part of social gatherings, alcohol consumption carries a human health risk with associated social and medical consequences related to its toxic and addictive properties. In addition to the chronic diseases that affect regular drinkers, alcohol is also associated with an increased risk of acute health conditions including road traffic accidents. In general, the harm associated with alcohol consumption on individuals, families and society as a whole justifies a company-wide approach: 1) a possible divestiture of alcohol-exposed companies; 2) requiring alcohol-exposed companies to take actions involving the prevention of problem drinking. An in-depth analysis leads to two conclusions: (a) the negative impact of alcohol consumption stems mostly from the inappropriate consumption of alcoholic beverages both in terms of quantity (excessive) and who consumes it (minors, pregnant women, drivers, etc.). Moderate alcohol consumption represents a significantly lower risk of health problems. The determinant factor, in our view, of whether alcohol consumption leads to a significant health risk lies in the pattern of consumption; therefore we need to verify whether companies involved in the production of alcoholic beverages are encouraging responsible alcohol consumption or not; b) the negative health and social impact of alcohol consumption is not exclusive to a single category of beverage or even to high-alcoholic beverages; in fact, low-alcoholic beverages such as beer are consumed in much greater quantities than high-alcoholic spirits; therefore, excessive alcohol intake

is possible and often occurs through the consumption of beverages with a limited alcohol content (such as beer, wine or cider).

March AM seeks to identify companies that, in our opinion, may have responsibility for inappropriate alcohol consumption when marketing and selling their products, which may encourage alcohol consumption in at-risk populations (minors, drivers, pregnant women) or when making insufficient efforts to discourage excessive drinking. Therefore, March AM requires companies whose revenues from the production of alcoholic beverages account for more than 15% to have a responsible drinking policy that could take into consideration some, among others, of the following 4 elements: 1) underage drinking; 2) drinking by pregnant women; 3) drinking by drivers; 4) excessive drinking.

This policy does not affect suppliers, distributors and retailers of alcohol-related producers and/or products.

Exclusion policy for funds of funds, profiled funds and master-feeder structures

In the case of funds of funds, profiled portfolios or master-feeder structures, regardless of their SFDR classification, our exclusion policy must be simplified at this time due to the tangible impossibility of analysing and filtering the direct investments of the individual funds in the portfolios and in some cases even to have access to the direct investments of these portfolios in a timely manner.

Therefore, the exclusion policy for these portfolios will be based primarily on a due diligence analysis of the fund/manager's own exclusion policy for each of the funds and its comparison with our own exclusion policy. In that sense, it will not be required to comply 100% with our own exclusions policy, since in some points this policy will be more lax, but on the other hand, there will be additional exclusions to those of March MA; therefore, the existence of some subjectivity will be possible. However, all managers/funds that are part of these portfolios will have to have an exclusion policy (if they do not, the investment in this strategy will have to be approved by March AM's SRI committee) and, furthermore, this exclusion policy will be analysed and will have to be at least as restrictive as March AM's own policy.

Evaluation and Implementation Process

There are three steps in policy analysis and implementation

Identification of the company involved in controversial activities

March AM's risk department together with March AM's management team will conduct a joint analysis to identify those companies in the portfolios and/or belonging to the investable universe of the portfolios that may be involved in the controversial activities identified in this policy.

Analysis of the involvement with the disputed activity

Three variables will be analysed:

- The type of involvement - direct or indirect
- The level of involvement - primarily the percentage of revenue derived from that activity in the company under analysis
- Responsible policy of the company under analysis - for most of the controversial activities we consider how the company relates to the activity and how it views its negative effects; therefore, the presence or absence of a relevant, controversy-focused responsible policy that recognises the company's involvement in the activity and how the company responds to it are crucial elements in the analysis

Decision on involvement

Following the analysis of the company's involvement in the controversial activity on the basis of the three variables analysed above, its involvement in these activities may be checked with the company concerned and if the company exceeds the acceptable level of involvement, the exclusion of the company concerned from the portfolio and/or the investable universe will be discussed and decided within the SRI committee.

Standards-based analysis - United Nations Global Compact

The standards-based analysis determines whether a company complies with the 10 principles of the UN Global Compact for each of the 4 categories: Human rights (HR), Labour (L), Environment (ENV) and anti-corruption (COR). Information regarding current incidents or controversies, suspicions or other incidents is mainly collected through analysis of external providers. This analysis takes into account the time element, the magnitude of the incident, the credibility and, finally, its recurrence. Additionally, the company's response to the incident as it occurs is considered. Logically, a company that takes responsible and positive steps to ensure that such incidents are unlikely to recur will be viewed more favourably than a company that fails to acknowledge its responsibility or take corrective action.

Once the analysis has been carried out, a rating will be assigned with two results for each of the four categories

- a) Companies where there is no evidence of violations of the UN Global Compact
- b) Evidence of violations of the UN Global Compact.

The SRI committee will discuss the exclusion of companies with evidence of violations of the UN Global Compact.

Policy owner and updating

This policy is owned and approved by the Board of Directors of March AM.

This policy will be subject to annual review by the SRI Committee. Any other substantial revision or modification shall be approved by this Committee.

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