EVENLODE
INVESTMENTS FOR LIFE

Exclusions Policy



Evenlode Investment Management Limited is authorised and regulated by the Financial Conduct Authority. No 767844

Certified B Corporation

Introduction

This policy outlines Evenlode Investment Management Limited's (Evenlode's) approach to implementing exclusions within our investment activities and sets out our approach to exclusions within the context of our ESG risk management framework and our investment process. We recognise the importance of integrating environmental, social and governance (ESG) considerations into our investment process. This commitment has been part of our approach since inception. Our stance is risk-based: we do not seek to align with any moral or ethical agenda; rather, we aim to identify and price all material risks a company may face over the long term. As long-term equity investors (with a typical holding period of five to seven years), we take a comprehensive view of potential regulatory, environmental and social factors that could affect a company's licence to operate, cash generation, asset intensity, and ultimately the resilience and growth of future earnings.

This is a firm-wide view, which applies to all assets under management and is reviewed at least annually.

Investment Process

The Evenlode investment philosophy is based on two central themes:

1. Investment is a long-term pursuit, with returns driven by the fundamental performance of the underlying portfolio companies.
2. Active risk management is key to producing attractive, long-term shareholder returns.

Evenlode sees investments as fractional ownership stakes in real companies and therefore takes a long-term, business-perspective approach to investment. We believe that this approach best aligns our investment decisions with a long-term investment horizon[1] and contributes to lower volatility of investor returns. This performance profile, alongside ongoing communication and service for investors, should promote long-term relationships (with investors) and lower turnover. This should allow time-weighted and money-weighted fund performance to converge.

Evenlode invests in high quality, cash-generative companies at sensible valuations. Evenlode defines quality companies as those that can sustain high returns on invested capital over an extended period. These companies commonly have a durable competitive advantage, operate in a market with structural growth drivers, and are continuously investing to improve their competitive position. These companies generate high cash flows relative to their asset base, commonly termed 'asset-light'. They also command 'pricing power' as their products and services provide clients a service valued far above the cost of provision.

[1] *A long-term investment horizon is defined in the fund prospectuses as 5 years or longer.*

Consequently, these companies can compound cash flow sustainably over a long period of time. This provides the company with the optionality to increase investment, pursue share buybacks or raise dividend returns to shareholders. This cash flow compounding drives long-term shareholder returns.

ESG Risk Management

We judge each business on its own merits when determining its ESG risk score. We believe all companies face ESG risks and opportunities, and that these should be assessed critically as part of our analysis before we draw conclusions. Across our investable universe, we assess companies on financial and non-financial factors, grouped into three categories:

- Business: economic moat, pricing power, long-term industry outlook, economic sensitivity, diversification, management and culture, and ESG;
- Financial: balance sheet strength and cash generation; and
- Investment: liquidity and valuation risk.

We assign each risk factor a score from A to E for every company we follow and analyse (A is lower risk; E is higher risk). This scoring framework prompts robust discussion within the investment team both in our regular risk-scoring meetings and when an investment case is reviewed - so that decisions are made collegiately and reflect a range of viewpoints. Companies that score poorly on certain issues, or on combinations of issues, are less likely to be included in our investable universe.

We assign an ESG risk score of 'E' where a company has significant ESG-related risks that are not being adequately managed. An 'E' makes the company ineligible for investment. This is fundamentally a risk-control mechanism: companies that fail to manage their own risks face a greater likelihood of fines and regulatory censure, reputational damage, and, in turn, lower revenues, profitability and cash flow.

Engagement

We consider engagement with companies as an opportunity. Discussing challenges with companies enables us to understand their business context and obtain more information about their mitigation of and resilience to the risks that we perceive.

Ultimately, we are seeking to manage risk and protect long-term value for our clients through improving the sustainability characteristics of a company. However, we understand that all this takes time and a measured approach. This type of approach requires appropriate engagement objectives and is why we set objectives for each engagement, which allow us to stay focused and monitor our ongoing engagements.

Risk management is still a focus for those companies that we do not exclude on ESG grounds. The company's ESG risk score is considered alongside other risk factors when setting its maximum position size as a routine part of our investment process and companies that have weaker ESG risk scores will, all other things equal, have lower maximum position sizes.

Sectors which we are unlikely to invest in

The Evenlode strategies are not constrained by sector or geography (beyond the stated mandate). However, our investment process, which focuses on high-quality, cash-generative businesses capable of sustaining high returns on invested capital (ROIC) over the long term, naturally steers us away from the sectors highlighted below. **These are not formal exclusions, and in theory we could identify a company within these sectors or servicing these sectors that meets our requirements.**

1. **Banks:** earnings are driven by leverage, credit losses and regulation rather than by the kind of durable economic moats and pricing power we look for in businesses. Balance sheets are often complex and opaque. Payouts are also pro-cyclical which reduces reliability for an income and growth mandate. This makes sustaining a high ROIC and compounding returns harder to achieve through the cycle.
2. **Energy:** businesses are inherently capital-intensive and require continual investment in generation, networks and storage, which can depress free cash flow and return on invested capital over time. Pricing is largely set by regulators while earnings are driven more by interest rates than by firm-level competitive advantages. The energy transition adds further risk, with large, initial capex and long paybacks that make cash compounding uncertain. This profile contrasts with our preference for asset-light businesses with strong pricing power and sustainable ROIC.
3. **Oil & Gas:** companies are price takers whose cash flows swing with commodity cycles and geopolitics. Structural ROIC tends to be lower and more volatile than what we look for, and transition risks - carbon pricing, policy shifts and potential stranded assets - further cloud long-term capital allocation. These characteristics are at odds with our focus on asset-light cash compounding businesses.
4. **Utilities:** companies in the sector typically operate in heavily regulated markets with limited pricing flexibility. Earnings are often capped by regulatory frameworks rather than being driven by competitive advantages or customer demand. The sector is also capital intensive, requiring continual reinvestment in infrastructure, generation capacity and networks, which depresses free cash flow and reduces the ability to compound returns on invested capital over time. Furthermore, regulatory and political risks can be significant, with outcomes dependent on government policy, subsidies, and tariff-setting rather than business quality.

5. **Real Estate:** companies are asset-heavy and usually carry a lot of debt. Their returns depend on interest rates, property valuations, and refinancing, so cash flows can be volatile. Many firms grow by buying additional properties using new debt or equity, which can dilute returns. This dependence on balance-sheet expansion and capex is inconsistent with our preference for asset-light, cash-generative compounding businesses.
6. **Tobacco:** while historically highly cash generative, the industry faces long-term structural decline driven by regulation, taxation, health awareness, and litigation risks. Growth is heavily reliant on price increases against a backdrop of declining volumes, which limits durability of returns. The sector is exposed to ongoing ESG controversies that threaten its social licence to operate, raising questions about companies' long-term capital allocation and sector outlook.
7. **Gambling:** while parts of this sector can be asset-light and cash generative, returns are increasingly exposed to regulatory risks and increased taxation which can compress margins and disrupt established models. Litigation and problem-gambling liabilities add further uncertainty, and the sector's dependence on a regulated social licence to operate raises further complexities which could impact the durability of long-term and sustainable returns.
8. **Adult Entertainment:** the sector is reputationally weak and its businesses often lack the durable economic moat and pricing power we look for. Revenues can depend heavily on third-party payment processors and distribution platforms, creating concentration risk outside the company's control. Disclosure and governance standards can also tend to be weaker than in companies we typically hold.

Defence Sector

Evenlode does not operate a blanket exclusion on investing in the defence sector. Risk profiles vary materially across the sector, and because of this we apply a nuanced approach. Instead of making broad ethical judgements, when making decisions to include certain stocks in our investable universe we assess each company on a case-by-case basis on its own merits and review exposures carefully within our ESG risk assessments.

When considering an investment in the defence sector, we believe the risks highlighted below must be carefully managed:

- Elevated ESG risks - these make the sector particularly challenging (see ESG risks section below).
- Client concentration risk - defence companies often generate a large proportion of revenues from a single client.

We acknowledge the arguments in favour of investing in the defence sector. National security is a priority for governments worldwide, and it can be argued that the industry plays a role in supporting

social stability and security - both of which are fundamental to the United Nations' Sustainable Development Goals (SDG) Goal 16, which seeks to promote peaceful and inclusive societies and ensure access to justice for all. Many defence businesses also demonstrate resilient financial models and, in some cases, deliver high returns on invested capital and strong free cash flow generation - qualities that align with the characteristics we seek in our investable universe.

Many companies in the sector do fall short of our investment criteria, however. Their high capital intensity often constrains consistent cash generation; long-term prospects can be undermined by shifting political priorities and government procurement can limit pricing power and cap margins.

We acknowledge that those characteristics for some companies have changed recently. Increases in defence budgets, multi-year order books and exposure to high-margin aftermarket activities have improved cash generation and returns in several businesses, for example.

Finally, we also recognise that some companies supply dual-use products or services - such as aircraft components or information systems - that serve both civilian and military markets. These companies are assessed on a case-by-case basis, with close consideration of their business models, risk profiles, and alignment with our broader ESG principles.

Defence Sector - ESG Risks

The ESG-related risks we feel are material to the defence sector:

1. Governance Risks
    - Opaque contracts - defence procurement is often linked to opaque government contracts, high-value deals, and politically sensitive agreements, making the industry particularly vulnerable to corruption, bribery, and unethical lobbying.
    - Misalignment with UN Global Compact (UNGC) Principles –many US defence contractors are not listed as signatories to the UNGC. The tenth principle explicitly calls for businesses to work against corruption in all forms. Whilst the companies' internal policies may align with or reflect similar values to those promoted by the principles, without formal participation their alignment to the principles is self-regulated.
2. Environmental Risks
    - Military operations, weapons manufacturing, and aerospace development are incredibly energy-intensive, contributing significantly to carbon emissions.
    - Holdings in the sector are assessed against our net zero commitments. We assess each company's emissions profile, disclosure quality and decarbonisation trajectory through our interpretation of the Net Zero Investment Framework (NZIF) methodology, and engage where targets or reporting are weak. An increase in exposure to the defence sector may

increase our funds' emissions profile in the short term; however, our long-term decarbonisation objectives would remain unchanged.

3. Social Risks

- Using ethical considerations in our ESG risk management strategy is difficult. On one hand, investing in the sector could support the preservation of life if the deterrence presented by well-equipped national militaries leads to reduced levels of conflict, which could be considered a social good. Defending liberty in democratic nations may be considered an ethical or moral good depending on one's views on political philosophy. On the other hand, defence activities have the potential to cause significant harm and disruption to people's lives and humanity more broadly. Therefore, we assess end-markets, customer jurisdictions, export controls and human rights due diligence on a case-by-case basis.

4. Regulatory Risks

- Regulatory Uncertainty - economic sanctions have increased regulatory uncertainty. However, more recently, regulators and governments are increasingly clarifying that ESG and defence are not mutually exclusive. What is, however, restricted by law is controversial weapons (see section below).
- Public Sentiment Volatility – While investing in the defence sector is currently more accepted, this could shift dramatically, bringing with it heightened reputational risks.

Controversial Weapons

As an asset manager and active steward of our clients' assets, we use our influence to encourage companies to improve their sustainability practices through a consistent dialogue. Consequently, we view engagement as a more effective approach than divestment. However, for companies involved in certain activities the legal, regulatory, and reputational risks are significant enough that investing in these companies does not align with our investment process. Engagement cannot mitigate these risks, so we exclude rather than engage.

UK law does not define "controversial weapons" as a single category. Examples include biological and chemical weapons, anti-personnel landmines, cluster munitions and nuclear weapons. The UK does, however, prohibit certain weapons through domestic legislation implementing its treaty obligations, including the Biological Weapons Act 1974, the Chemical Weapons Act 1996, the Landmines Act 1998 and the Cluster Munitions (Prohibitions) Act 2010. The 2010 Act prohibits direct financing of cluster munitions production. It does not prohibit indirect financing, but the Government committed to work with the financial sector to prevent it. Nuclear weapons are governed by the NPT, which recognises the UK as a nuclear-weapon state. For context, 'conventional weapons' are defined as those used in standard warfare, typically limited by time and location to the battlefield.

This policy applies to the following categories of controversial weapons and is in response to a combination of national laws and international treaties including but not limited to:

Biological Weapons Convention (BWC)

The BWC, ratified in the UK in 1975, bans the development, production, stockpiling, and use of biological and toxin weapons. Currently, 189 states are parties (Source: United Nations, May 2025).

Chemical Weapons Convention (CWC)

Ratified by the UK in 1996, the CWC bans all activities related to chemical weapons, including their development, production, acquisition, stockpiling, and use. It represents a comprehensive effort to eliminate an entire class of weapons of mass destruction. Currently, 193 states have ratified or acceded to the convention (Source: Organisation for the Prohibition of Chemical Weapons, June 2026).

Anti-Personnel Landmines Convention (Ottawa Treaty)

Ratified by the UK in 1998, the treaty prohibits the use, production, stockpiling, and transfer of anti-personnel landmines and requires destruction of stockpiles within four years. Its aim is to eliminate landmines globally due to their indiscriminate and long-lasting harm to civilians. Currently, 162 states have ratified or acceded to the convention (Source: United Nations, June 2026).

Convention on Cluster Munitions (CCM)

Ratified by the UK in 2010, the CCM prohibits the use, production, stockpiling, and transfer of cluster munitions, requiring destruction of stockpiles within eight years. Given both the UK's legal ban and the humanitarian rationale, cluster munitions are one of the most strictly excluded categories in responsible investing. Currently, 112 states are parties (Source: Cluster Munition Monitor, September 2026).

UN Convention on Certain Conventional Weapons (CCW)

Entered into force in 1983, it bans or restricts weapons that cause unnecessary suffering or have indiscriminate effects on civilians. Its five protocols cover weapons with non-detectable fragments, landmines/booby traps, incendiary weapons, blinding laser weapons, and explosive remnants of war. The UK is a state party to the CCW and its protocols. Currently, 128 countries are parties to the convention (Source: United Nations, May 2026).

Treaty on the Non-Proliferation of Nuclear Weapons – 1970 (NPT)

Aims to prevent the spread of nuclear weapons to countries that don't already have them. It has two further core objectives: the peaceful use of nuclear energy, and nuclear disarmament. The UK is one of the five recognised nuclear-weapon states and has signed and ratified the NPT. Currently, 191 states (including the five nuclear-weapon states – UK, USA, France, China, Russia) are parties to the treaty (Source: United Nations, May 2026).

Companies operating in the following areas are treated as follows:

Biological Weapons	Excluded
Chemical Weapons	Excluded
Anti-Personnel Landmines	Excluded
Cluster Munitions	Excluded
Weapons covered by the United Nations Convention on Certain Conventional Weapons	Excluded
Nuclear Weapons	See page 10

Nuclear Weapons

We will not invest in companies that:

- develop nuclear warheads or dedicated delivery systems[2] for; or
- knowingly transfer technology to; or
- supply nuclear-specific components to:

nuclear-armed states outside the NPT, namely India, Pakistan, Israel and North Korea.

Nuclear -related work carried out for, or under the authority of, the United States, the United Kingdom or France, including under their alliance commitments such as NATO, may remain investable. Although Russia and China are NPT-recognised nuclear-weapon states, we will not invest in companies involved in nuclear weapons-related work for either, given the UK sanctions and export controls that apply to them.

For the avoidance of doubt, companies that provide civil nuclear propulsion, Small Modular Reactor (SMR) technology or naval nuclear propulsion for conventionally armed vessels supplied to an NPT state or to a country in a government-to-government agreement and within International Atomic Energy Agency (IAEA) safeguards, may also be invested in.

Our approach is designed to respect the three core objectives of the Nuclear Non-Proliferation Treaty (NPT): non-proliferation, disarmament, and the peaceful use of nuclear energy. In such cases, we apply our disciplined investment process focusing on asset-light, high-quality, cash-generative businesses purchased at sensible valuations, carefully assessing the diversification, balance sheet quality, management culture, and ESG-related risks of the business.

Review and update

This policy is reviewed and updated at least annually to ensure the exclusions remain consistent with our fiduciary duty and long-term investment philosophy.

[2] *We define "dedicated delivery systems" as platforms whose primary function is to deploy a nuclear warhead, such as nuclear-powered ballistic missile submarines (SSBNs), intercontinental ballistic missiles (ICBMs), or nuclear-specific missile systems.*