ESG Policy

Selectum does not have as its objective to promote sustainable investments i.e. investments in economic activities that contribute to environmental or social objectives or follow the highest standards of corporate governance.

In order to exclude or minimize sustainability and other risks, the Investment Manager has identified an investment universe and developed an elaborated rating system to evaluate existing and potential investments from that universe to support the investment process. This rating system takes into consideration risks related to the business model of investee companies, technological developments, relevant markets and other factors and this way integrates sustainability factors and other factors.

Selectum effectively considers that the investments realised on behalf its customers and whose selection is supported by the rating system are not likely to be materially affected by sustainability risks and that those risks are not specifically relevant in the context the investment policies, meaning that, if any such risk materialise, it is not likely to have a more materially adverse effect on their returns than any other normal market or external risks.

The Investment Manager does not consider the adverse impacts of investment decisions on sustainability factors due to the lack of pertinent information of the investee companies yet and the relative small size of the Fund not allowing for the necessary resources for extensive calculations.

The Fund has also no established policy for proxy voting and will generally refrain from voting at general meetings. The Fund expects that, even if more detailed information and/or regulatory guidance become available in the coming years, it will not consider the adverse impacts of investment decisions on sustainability factors.

The considerations that play a role in our policy regarding ESG include the following:

- The scale of Selectum. Selectum is an organization of limited size and is only a small investor.
- The clientele of Selectum and their views. Clients primarily opt for asset management by Selectum in the expectation of achieving good returns in the longer term. It goes without saying that this must have a correct place in relation to ESG factors.
- The Selectum investment universe. The majority of the Selectum investments are located in Germany, the Netherlands and Belgium, countries where relatively very high standards apply in the field of ESG.
- In these countries there is often also a clear separation between day-to-day management and supervision, which usually leads to a good balance in the Governance of companies and counteracts excesses.
- Within this universe there is a great diversity between companies. There are some where Environmental factors play an important role and others where this is hardly the case.
- The difference in available information where larger companies often make more information available.
- The changing social views that are reflected in the regulations for asset managers and investment funds.

Based on the above considerations, Selectum has developed an approach based on the following basic principles:

- We do not start from pompous theories launched from ivory towers but opt for a pragmatic approach. Central are our own views, in interaction with our personal contacts with the companies.
- That is why it makes no sense for a party like Selectum to develop its own active policy for large companies. We agree with the views of the market. If we believe that an investment does not score sufficiently on basis of ESG-factors, we will not include it in our portfolio. When a company moves in the wrong direction, we vote with our feet and sell.
- For medium-sized and smaller companies, we make our own analysis that is integrated into our fundamental investment framework. Our own views play a decisive role in this. We take note of the views of third-party experts in the field of ESG, but do not adopt their judgment unquestioningly.

- Before investing in a company, we seek contact with management. After all, in the field of ESG, the corporate culture is determined at the top.
- We respect the views of the management that runs the business on a day-to-day basis and assume in principle that they act on ethical views and thereby have the best information available to put these ethical views into practice.
- We feel a strong commitment to our companies. As a relatively small investor, we do not consider ourselves the owner, but certainly more than a casual passer-by. We listen to management, share our insights with management and try to convince them, but make no attempt to dictate our views. Nor do we attempt to enforce our preferences at shareholder meetings.
- We are not averse to collaborating with other parties, such as fellow investors, investor associations or ESG experts, but will not take any initiatives ourselves.

In specific terms, our ESG-policy includes the following:

- Regarding the evaluation of ESG-factors in our specific universe, our priorities are successively G(overnance), E(nvironment) and S(ocial).
- Based on this, we use a (limited) list of companies in which we do not invest.
- We use a list of about ten ESG-themes per company that are systematically evaluated.
- These are mainly based on our estimate that the company may run uncontrollable risks, exhibit deviant behaviour or become discredited with regards to these themes.
- We work with red, yellow and green flags for each theme to indicate the size of the risk.
- A company with too many red flags will be removed from the universe.
- We update the assessment on a regular basis, at least once a year.
- When necessary, we publish our findings.

For the purpose of this text,

“sustainable factors” mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters,

“sustainable investment” means an investment in an economic activity that contributes to an environmental objective, an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance, and

“sustainability risk” means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.