

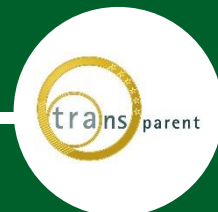


CHOM CAPITAL
PERFORMANCE DRIVEN BY SUSTAINMENTALS*



GUIDELINE ON THE EXERCISE OF VOTING RIGHTS CHOM ENGAGEMENT STRATEGY

July 2023





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.

The protection of our planet and the promotion of a sustainable transformation of the economy are at the center of our thoughts and actions. In doing so, we want to achieve long-term sustainable investment returns for our customers and link both worlds with social and ecological commitment.

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1. Good Corporate Governance & Responsible Engagement

A convincing and sustainably oriented corporate governance, as well as a responsible participation policy form part of the self-understanding of CHOM CAPITAL, an owner-managed asset management boutique specializing in European equities.

This policy describes our principles for actively and responsibly exercising shareholder rights in all listed equities held in our funds and how this engagement is embedded in our fundamental investment process. By active and responsible engagement, we mean in particular the intensive dialog with the managements of our holdings, but also the exercise of voting rights at general meetings. In this way, we monitor all important matters concerning our portfolio companies and use our influence to give companies the right impulses on the path to a more sustainable economy.

We are very open to and keen on cooperating with other shareholders to exercise our shareholder rights responsibly.

In line with the integration of non-financial criteria into the investment process, CHOM CAPITAL also takes into account ecological and social standards as well as good corporate governance - together "ESG criteria" (short for "Environment", "Social", "Governance") - when exercising shareholder rights.

We are convinced that companies that act in accordance with good corporate governance standards have a superior risk-return profile in the long term. This is why, also in terms of performance, we consider sustainable investments to be a worthwhile investment for the future.

2. Our Fundamental Investment Process

We follow a strictly fundamental, value-based approach when identifying and selecting our investments. ESG criteria sit alongside conventional financial analysis and are an integral part at every level of our investment process (universe, individual stock level, portfolio level).

2.1 Universe

A standards-based screening process based on strict exclusion criteria ensures that our equity universe is properly narrowed down. All companies that do not comply with certain international principles and standards are not invested in. 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 exclusion, as do violations of the UN Global Compact Principles. In line with the approach of the FNG Quality Label, we also exclude manufacturers of outlawed products. Examples include cluster bombs, land mines, biological and chemical weapons. Tighter restrictions are e.g. imposed on coal-fired power generation and the pornography and gambling sectors. Further restrictions are imposed by minimum requirements for individual securities and the portfolio rating. Explore our Exclusion Guidelines for further information.

2.2 Company Level

When selecting our investments (positive screening), we set high standards and follow a structured analysis process for each potential investee, which includes both financial and non-financial aspects.

Of central importance to us is the deep dive into understanding the business models, the corporate strategy, the most important success factors and the financial key figures. The evaluation of the sustainability profile includes the social, environmental and corporate governance-related opportunities and risks of a company. The findings are then discussed in greater depth in management meetings, focusing on the key drivers of future growth. We attach importance to clear and transparent targets, also in terms of the planned contribution to the protection of the climate and biodiversity. The subsequent determination of share price opportunities is based on the results of a company valuation according to strictly fundamental criteria, taking into account a large number of peer group-related financial indicators. Valuation techniques such as the discounted cash flow method (DCF models, multiples, peer group analyses) or the net asset value method (consideration of the balance sheet and its intrinsic value) are applied here. For us, quality, transparency and a long-term approach are overarching requirements for a sustainable business model.

In our analysis of the social, economic and governance profiles of companies, we see opportunities for three types of sustainability profiles in particular:

1. ESG stars, which are e.g. leaders in low-CO2 future technologies. ESG stars are often so-called "best-in-class" companies that have the best sustainability indicators in their respective industries and top the relevant rankings.
2. Companies with strong momentum that generate sustainable growth because they consistently take advantage of opportunities to renew established product ranges in a sustainable manner, promote the careful use of natural resources, or fundamentally change their production processes and supply chains.
3. Restructuring cases can also have interesting sustainable potential if, for example, acquired companies are raised to a level already established for the parent company. Or if, starting from a low level, the value chain of a company is optimized through strategic measures to the extent that a significant improvement in the eco-balance can be expected.

2.3 Portfolio Level

As a result of the assessment of the business model and further personal discussions with company managers, a concentrated number of a few stocks form the CHOM quality portfolio. The holdings start out fundamentally equally weighted to ensure that each selected stock has a significant performance impact.

To make the sustainable orientation of our portfolios measurable for our investors, we set ourselves clear thresholds (investability criteria). These include a target minimum rating at aggregate level and the definition of minimum sustainability requirements for individual investments. Also important to us is a proven positive contribution to the 17 United Nations Sustainable Development Goals, as well as a successful management review.

Proprietary ESG dashboards and reports for aggregated consideration of a large number of key figures and data sets at fund level allow us to map the interaction of an investment with the rest of the portfolio as a further dimension of the investment process.

In fund controlling, we can simulate the effects of adding a new holding or rebalancing on the current portfolio. In addition, our models allow us to map changes in metrics at the level of individual securities and to check the implementation of the set thresholds.

2.4 Research, Monitoring and Transparency

In addition to our own analyses and derivative models, our research approach includes the use of a large number of external research providers from our broker network. We obtain the high-quality data feed for our screening, portfolio and reporting models from the information service providers Bloomberg, FactSet and MSCI ESG Research. Moreover, we access corporate sustainability reports and exchange information on specific topics with experts from our network of brokers, rating agencies and NGOs.

Most important for us remain the established close contacts to the companies. The combined approach of in-depth fundamental analysis and evaluation in regular management meetings enables us to make a good assessment of the business development and prospects of the portfolio companies and to monitor all important matters efficiently.

We offer in-depth transparency vis-à-vis our institutional investors.

3. Exercise of Voting Rights at Shareholders' Meetings

3.1 Principles of our Voting Policy

We attach great importance to representing the interests of our investors and maintain a responsible approach to the voting rights of all listed and voting corporate investments held in our funds.

With regard to our voting policy, we are guided by recognized best practice standards of good corporate governance. These include the European Shareholder Rights Directive (SRD II) as well as country-specific implementation guidelines such as ARUG II, the Analysis Guidelines for Annual General Meetings (ALHV) of the German Investment and Asset Management Association (BVI) and the German Corporate Governance Code. In applying our voting principles, we seek to work towards corporate governance that is geared to sustainable and environmentally compatible value creation. By including clear environmental and social requirements, we aim to help create incentives for companies to establish credible climate action plans and make ESG goals part of established corporate strategy. A discrepancy between our requirements and content submitted for a vote can therefore mean both abstention on a draft resolution and its rejection. For example, the absence of ESG targets or the failure to include ESG aspects in the compensation policy will lead to a rejection of the discharge of the Executive Board, Supervisory Board or Board of Directors (depending on country-specific legal responsibility).

3.2 Implementation of our Voting Policy and Inclusion of E and S Aspects

For the technical implementation of the exercise of voting rights, we work closely with our capital management company Universal Investment GmbH (UI). Our cooperation partner IVOX GlassLewis, which specializes in Annual General Meetings, identifies critical factors as part of its analyses and in application of the above-mentioned regulatory frameworks and prepares templates with approval and rejection points for the respective resolution proposals of the management, which serve us as an important decision-making basis for our voting behavior.

In a second step, we evaluate these voting proposals fundamentally with a view to our understanding of the business model and corporate strategy and after our own analysis of management through company discussions. In this process, we look beyond the governance level and examine each agenda item from an environmental ("Environment" or "E") and social ("Social" or "S") perspective. In concrete terms, this means that we sanction any controversies that may arise at the E and S levels, such as violations of the UN Global Compact. On the other hand, we check whether sustainability targets exist, to what extent these are a concrete component of the remuneration policy, or whether clearly defined responsibilities for ESG are anchored at board level. A look at the business model and the market structure of the respective investment is just as important - a highly specialized niche market player must be analyzed differently than a large cap company.

Our analysis results can lead to a "fundamental override" of the proxy voting recommendations issued by IVOX GlassLewis from a pure "G"-perspective. If no changes result from our analysis, UI will vote on the present agenda items as proposed at the Annual General Meeting. For those companies for which we have no analysis proposals, we validate agenda items based on our fundamental understanding.

Further details on the main principles and contents of the voting policy are presented in the following section.

3.3 Important Considerations for our Voting Behavior

In the following sections, we cover selected aspects of the BVI analysis guidelines for general meetings (2022) and the German Corporate Governance Code and describe critical topics resulting from them. These topics are examples of sustainability aspects on which the analyses of the UI service provider are based. Where possible, we also try to reflect these aspects in our internal analyses or address them in our management meetings.

3.3.1 Executive/Management Board / Supervisory Board / Board of Directors

"Responsible management and supervision of the company aimed at long-term value creation is in the interest of its shareholders. The composition, activities and remuneration of the executive bodies should reflect this. Appropriate transparency and open communication should make this clear to shareholders." (Chapter 1. ALHV)

Accordingly, there is critical scrutiny of whether qualifications are demonstrated in the election of members of the management board, supervisory board or board of directors, whether the independence of supervisory bodies is guaranteed, whether caps on mandates have been complied with or whether compensation standards have been observed. The Act Implementing the Second Shareholders' Rights Directive (ARUG II) not only specifies the content requirements for the compensation system, such as setting a maximum compensation or the possibility of reclaiming variable salary components, it also places emphasis on extensive transparency and regular voting (at least every four years). In addition, strong personal requirements apply to the exoneration of management, supervisory or administrative board members. Critical factors here constitute violations of generally accepted sustainability guidelines or pending proceedings, e.g. challenges to the balance sheet, insider trading or corruption, but also conflicts of interest and inadequate risk controlling and auditing procedures. Automatic transitions (e.g. from CEO to CFO), should be critically examined and avoided wherever possible. It would also seem sensible to respect cooling-off periods when transferring as longstanding board members to the supervisory board.

3.3.2 Remuneration

„The Supervisory Board decides on a clear and comprehensible system on the remuneration for the Management Board members and, on this basis, determines the actual remuneration for each Management Board member. The General Meeting generally adopts advisory resolutions on the approval of the remuneration system for the Management Board members prepared by the Supervisory Board, as well as proposing resolutions on the approval of the remuneration report for the preceding financial year. The remuneration structure of listed companies is to be oriented towards the company's sustainable and long-term development. The remuneration of

Management Board members shall promote the corporate strategy and support the long-term development of the company." (Principle 24 German Corporate Governance Code)

We consider the following to be critical factors: the absence of a maximum limit for total compensation including variable components, the lack of a link between variable compensation and the long-term performance of the company as measured by published performance criteria such as sales or earnings, the differentiation between short-term and long-term incentives, the consideration of the relationship to the entire workforce and, in particular, the lack of a link to ESG targets. For the first time as of the 2021 AGM season, the compensation policy is to be voted on at least every four years, while the compensation report is to be submitted annually.

3.3.3 Corporate Actions and Share Repurchases

"Corporate actions and share buybacks are in the interests of shareholders if they enhance the long-term prospects of the company. Shareholders can only judge this if companies explain their financing strategy. Legitimate interests in protecting confidential business information must be taken into account." (Chapter 2. ALHV)

An active exchange of views on the long-term prospects of success of capital measures and share buybacks is an important part of our management discussions. If there is strong dissent with regard to capital measures or if critical upper limits for authorized and conditional capital increases are exceeded, approval is withheld.

The repurchase of shares may be critical, particularly in the case of companies in a difficult economic situation, if it is carried out with outside financing in order to make profits appear higher and to maintain the share price by reducing the number of shares in circulation.

3.3.4 Profit Appropriation

"The dividend policy should be in line with the long-term corporate strategy and appropriate." (Chapter 3. ALHV)

In order to assess the appropriation of profits, the dividend is analyzed in comparison with other sectors and should only be paid out of the company's assets in exceptional cases where there are special reasons for doing so.

3.3.5 Auditor

"The annual financial statements should give a true and fair picture of the company's assets, financial position and income position. The auditor and the audit company must therefore be independent and impartial, including with regard to remuneration." (Chapter 4. ALHV)

The prerequisite for this is the independence and impartiality of the auditor and the auditing company, which should be demonstrated, e.g., by the disclosure of consulting activities, as well as by transparency regarding its appropriate remuneration.

3.3.6 Mergers and Acquisitions

"Mergers and acquisitions are in the shareholders' interest if they are in line with the company's long-term strategy. Shareholders can only judge this if companies provide background information. Legitimate interests in protecting confidential business information must be taken into account." (Chapter 5. ALHV)

Criteria to be assessed include, for example, the purchase price and the corporate governance of the target company. Shareholder approval is also required for very significant acquisitions. Measures to impede takeovers are critically scrutinized. CHOM CAPITAL also evaluates the fundamental background in its management meetings.

3.3.7 Shareholder Interests

"The rights of shareholders should be protected in compliance with the principle of equal treatment of all shareholders. Special rights and measures which impair shareholders' rights are not in the interest of shareholders." (Chapter 6. ALHV)

Special rights and measures that impair shareholders' rights are not in the interests of shareholders and should therefore be critically assessed and rejected in case of doubt. Examples would be amendments to the Articles of Association that impair shareholder rights or the delayed website publication of the AGM agenda.

3.3.8 Corporate Governance Code and Best-Practice

"Responsible management in compliance with nationally and internationally recognized corporate governance standards is in the shareholders' interests." (Chapter 7. ALHV)

Key elements of recognized principles such as the OECD Guidelines for Multinational Enterprises will be used as benchmarks for this analysis. In addition, the development of best practices for responsible corporate governance and ESG issues will be promoted. Non-financial reporting will also be guided by the EU guidelines for reporting climate-related information.

4. Responsible Engagement Through Management Meetings

In addition to the active exercise of voting rights, the support of shareholder proposals relating to sustainability is another element of our engagement strategy. Increasingly, our shareholdings are seeking constructive dialog in advance of an Annual General Meeting to resolve points of criticism or meet transparency requirements.

The standards for integrating ESG and the metrics for measuring sustainability are currently evolving dynamically - not only in view of regulatory changes such as the EU taxonomy. In this context, we see a great need for consulting both among our clients and especially among medium-sized companies. Through consulting and mediation with sustainability agencies and other stakeholders, we try to actively and responsibly accompany the sustainable transformation.

Regular, intensive discussions with the responsible representatives and corporate bodies of our portfolio companies are essential for us to make a qualified assessment of the prospects and for constructive thematic engagement.

Every year, our portfolio managers hold more than 600 meetings with the management boards or IR departments of companies. In these meetings, we discuss and evaluate business issues such as the business model, corporate strategy, competitive situation, business development and financial indicators. We also discuss sustainability objectives, strategic plans in this regard, as well as sustainability risks and potential controversies.

We attach importance to clear targets in terms of contributing to climate and biodiversity protection and improving the sustainable footprint, which should be coupled with concrete deadlines for achievement. We clearly raise critical issues. This concerns both exposure to and management of material ESG risks, such as corporate governance aspects or human rights, labor rights and environmental violations. If controversies arise at a company (including from an ESG perspective), these are analyzed further and the company concerned is confronted with these aspects.

The results of management discussions are documented and developments are tracked over time with the aim of eliminating violations or contributing to the implementation of risk minimization strategies. If a controversy cannot be resolved or if targets are massively missed, we sell the corresponding stake.

Overall, our responsible commitment serves to preserve the value of our investments. While strictly safeguarding the interests of our customers, we also aim to make a positive contribution to steering capital flows toward sustainability (sustainable finance).