

ESG Exclusion List

SmartCap aims to ensure that its investees would not finance or otherwise engage in any activity, production, use, distribution, business or trade involving the below sectors and activities:¹

- 1) Production or activities involving forced labour² or child labour³;
- 2) Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements;
- 3) Any business relating to pornography or prostitution;
- 4) Trade in wildlife or wildlife products regulated under CITES⁴;
- 5) Production or use of or trade in hazardous materials such as radioactive materials⁵, unbounded asbestos fibres and products containing PCBs⁶;
- 6) Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations;
- 7) Drift net fishing in the marine environment using nets in excess of 2.5 km in length;
- 8) Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances⁷ and other hazardous substances subject to international phase-outs or bans;
- 9) Destruction⁸ of critical habitat⁹;
- 10) Production and distribution of racist, anti-democratic and/or neo-nazi media.

In addition to the above, the financing of projects is excluded, when the following activities form a substantial¹⁰ part of a project sponsor's primary operations or those of the project:

- 11) Production or trade in:¹¹
 - Weapons and munitions;
 - Tobacco;
 - Liquor.
- 12) Gambling, casinos and equivalent enterprises.¹¹

¹ The Exclusion List applies regardless of the country of a specific investment and that country's signatory status with regard to e.g. ILO Conventions.

² Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

³ Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

⁴ Convention on International Trade in Endangered Species or Wild Fauna and Flora.

⁵ This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any other equipment where EFP considers the radioactive source to be trivial and/or adequately shielded.

⁶ Polychlorinated biphenyls, a group of highly toxic chemicals.

⁷ Chemical compounds, which react with and delete stratospheric ozone, resulting in "holes in the ozone layer".

⁸ Destruction means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use, or (2) modification of a habitat in such a way that the habitat's ability to maintain its role is lost.

⁹ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of (critically) endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

¹⁰ A benchmark for substantial is 5-10 % of the balance sheet or the financed volume.

¹¹ In Financial Institutions this is calculated with regard to the portfolio volume financing such activities.