POLICY ON EXCLUSION
Exclusion Criteria

EFFECTIVE as of September 2021

Reviewed in July 2026

Workflow Stage:	Process: Sourcing securities
Application:	Company-wide
Capital Stream:	All Capital
Version Date:	July 2026
Revision	Annual
Approver	Chief Compliance Officer: Michel Brutti

Objective:
Clear Skies Investment management Inc. (Clear Skies) believes that certain solutions, services, and products, if prioritized, can advance us more rapidly in achieving the United Nations sustainable development goals (SDGs) while certain products and business practices can deepen exclusion, environmental harm and inequality. To clearly distinguish those that are incompatible with sustainable investing strategies and the Clear Skies responsible investing policy, this exclusions list was created to be applied to screening and all sourcing decisions.

Scope:
The exclusion criteria apply to all capital streams of the company (private capital and public capital) in order to put forward companies with positive Environmental, Social and Governances (ESG) practices.

Exclusion List:
This list of exclusionary criteria aligns with the values of Clear Skies, and is compliant with the International Finance Corporation Exclusion list (**IFC: A member of the World Bank Group**) as the primary reference standard to help our team rule out the severest cases that impose a negative social toll or that carry significant legal or regulatory risks.

The list features strict exclusionary terms, as well as a column indicating potential thresholds in performance and sustainability indicators which can influence the due-diligence stage of the company shows signs of progress. The reason for this is that Clear Skies believes that certain business models were created based on the general intellectual, moral and cultural climate of an era (the zeitgeist) and have the substantial potential to shift entirely to meet the needs of tomorrow.

The below list summarizes both the Clear Skies and IFC exclusions:

	Excluded from Investments	Enhanced engagement thresholds (if any)
Product or trade deemed illegal under host country	Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under the Convention on International trades in Endangered species (CITES).	N/A
Weapons and munitions	Companies whose main business is producing or trading any weapons including anti-personnel mines, cluster munitions, chemical	N/A

	and biological weapons, depleted uranium weapons, and nuclear weapons.	
Alcohol	Companies that generate 5% or more of their revenues from the production of strong alcoholic beverages (excluding beer and wine). Companies that generate 10% or more of their revenues from retail sales of alcoholic beverages through liquor stores, bars or pub chains, and/or restaurants, supermarkets and convenience stores, are also excluded.	If the company actively and intentionally pursues a solution that is creating measurable positive impact and the Clear Skies deems that that exclusionary factor (in this case alcohol) is balanced by offsetting activities (in this case proportional spend on behavioural interventions and customer awareness campaigns), the potential company enters an enhanced due diligence stage ex-ante, followed by an enhanced engagement strategy ex-post.
Tobacco	Companies involved in the production (>0% of their revenues) of tobacco or significant components of cigarettes such as filters (5% or more of their revenues).	N/A
Gambling	Companies that generate 5% or more of their revenues from owning and/or operating gambling establishments (e.g. casinos, race tracks, online gambling), manufacturing specialized equipment used exclusively for gambling (e.g. slot machines, roulette wheels), and/or supporting products and services supplied to gambling operations.[1]	N/A
Radioactive materials	Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where Clear Skies considers the radioactive source to be **trivial and/or adequately shielded.**	A deeper screen followed by an enhanced engagement strategy may be applied if the company thoroughly outlines their mitigation plans, safety procedures with timelines, goals and objectives.
Unbonded asbestos fibers	Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.	N/A
Drift net fishing	Drift net fishing in the marine environment.	N/A

Palm oil	Palm oil producing companies with less than 80% of land (ha) for palm oil cultivation certified according to the RSPO standard. This exclusion is also valid for holding companies and conglomerates which derive more than 20% of annual revenues from a subsidiary that has not obtained the necessary RSPO certifications (Roundtable On Sustainable Palm Oil).	If Clear Skies discovers that the company with less than 80% of land not sustainably cultivated but the company is implementing changes based on already approved company-wide directives, then it will be put on an enhanced due-diligence stage ex-ante, and an enhanced engagement strategy ex-post.
Military contracting	Companies that generate 5% or more of their revenues from selling weapon systems and/or integral, tailor-made components for weapons to the military. The exclusion does not apply to companies that provide non-weapons related products and/or services to the military or defense industry. For example, telecommunications services, data management, software, or transportation of other non-weapon related supplies.	N/A
Thermal coal	Mining companies that generate 5% or more of their revenues from thermal coal, and power producers that generate 10% or more of their revenues from power generated using thermal coal.	Transitory companies from fossil fuels must demonstrate their net-zero pathway.
Oil sands	Extraction, transportation and refinement of oil sands and their derivatives.	N/A
Crude Oil	Extraction, transportation and refinement of oil and its derivatives.	N/A
Natural Gas	Extraction, transportation and refinement of natural gas and its derivatives.	N/A
Arctic drilling	Arctic drilling poses higher risks of spills compared to conventional oil and gas exploration and has potential irreversible impacts on the sensitive arctic ecosystem. Companies that derive 5% or more of their revenues from arctic drilling, are excluded from our funds.	N/A
Pornography and adult entertainment	Companies that generate 5% or more of their revenues from the production (e.g. print, online, TV), operation, and/or distribution	N/A

	(e.g. pay-per-view adult channels) of adult entertainment.	
Any company breaching the Ten Principles of the UN Global Compact (UNGC)	See the 10 Principles of the United Nations Global Compact in the "Applicable references" section of this document: Clear Skies will **monitor UNGC breaches for controversial behavior and will apply an enhanced engagement process for listed companies that have severely breached the UNGC principles.** If this enhanced engagement, which may last up to three years, does not lead to the desired change, Clear Skies will exclude that company from its investment universe.	N/A

Enhanced Fossil Fuel and Energy Transition Criteria

Added July 2026. Applies company-wide, across all Clear Skies funds and all capital streams, in addition to the exclusions set out above.

The exclusions above remain in force. The criteria below extend them across the fossil-fuel value chain and to power generation and utilities, and set out how Clear Skies treats issuers that are transitioning. They are assessed at the point of investment and reviewed annually, and are applied at both the security and the parent issuer level.

Enhanced fossil-fuel and transition criteria	Excluded from Investments	Enhanced engagement thresholds (if any)
Upstream oil and gas	Zero exposure. No investment in issuers engaged in the extraction of crude oil or natural gas, consistent with the Crude Oil and Natural Gas exclusions above. Assessed at the parent issuer level.	N/A
Oil (revenue threshold)	Issuers deriving 10% or more of revenue from oil are excluded, assessed at the parent issuer level.	N/A
Natural gas (revenue threshold)	Issuers deriving 50% or more of revenue from natural gas, including power generation and upstream, are excluded, assessed at the parent issuer level.	Transitioning issuers with a credible net zero pathway may be considered under enhanced due diligence and engagement.

Fossil-fuel power generation	Issuers deriving 50% or more of revenue from fossil-fuel power generation are excluded.	Transitioning utilities that meet the threshold and demonstrate a credible net zero pathway may be held under enhanced engagement.
Natural gas distribution	Issuers deriving 50% or more of revenue from natural gas distribution are excluded.	More restrictive treatment applies to non-transitioning utilities and to downstream and distribution operations.
Coal power generation and coal value chain	Zero coal power generation, unless the issuer has a credible coal retirement plan by 2030 in developed countries and 2040 in developing countries. Coal exposure is assessed against the SBTi 10% coal value chain definition.	Aligned with the SBTi Financial Institutions benchmark of end 2030 for OECD countries and end 2040 globally, covering direct generation, financing exposure and minority interests. Transitioning companies must demonstrate their net zero pathway.

Value chain: upstream is excluded, midstream, distribution and power generation are capped by the thresholds above, and downstream is reviewed on a case by case basis. Where regulated gas distribution is present, Clear Skies also assesses the associated Scope 3 emissions from the use of sold gas.

Consistent with the enhanced engagement approach applied elsewhere in this policy, Clear Skies may hold transitioning issuers, including transitioning utilities, where they meet the thresholds above and demonstrate a credible net zero pathway. Where an issuer does not meet the thresholds, Clear Skies applies enhanced engagement, which may last up to three years, and excludes the issuer if the required change is not achieved.
External references for these criteria: the Science Based Targets initiative (SBTi) Power Sector and Financial Institutions criteria, the Global Coal Exit List and the Powering Past Coal Alliance.

Transition and Inclusion Criteria for Climate-Related Investments

Added July 2026. Applies to climate-related and transition investments across Clear Skies funds.

In addition to the exclusions above, climate-related investments are assessed against positive inclusion criteria that test whether an issuer is genuinely transitioning. These are applied at the point of investment and monitored on an ongoing basis.

Inclusion criterion	**Application to climate-related investments**
NZIF 2.0 alignment maturity	Every holding is monitored against the NZIF 2.0 categories (Committed, Aligning, Aligned and

	Achieving Net Zero), with explicit per-holding classification being formalised.
Capex alignment	EU Taxonomy alignment is used where disclosed as a forward looking test of transition direction.
SBTi validation plus five tests	SBTi validation is used as one input, alongside five further tests on every holding: emissions delivery of at least a 5% intensity reduction per year, capital allocation, asset mix and retirement schedule, climate governance (board oversight and executive pay tied to climate KPIs) and climate lobbying alignment with the Paris Agreement.
Issuers without an SBTi target	Held only where there is a credible Net Zero 2050 commitment and a delivery track record.

External frameworks referenced: the Transition Plan Taskforce, the Transition Pathway Initiative and the IIGCC Net Zero Stewardship Toolkit.

Footnotes:

[1] This does not apply to project sponsors who are not substantially involved in these activities. “Not substantially involved” means that the activity concerned is ancillary to a project sponsor's primary operations.

[2] Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty. Clear Skies excludes investments in companies that use forced labour.

[3] Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development. Clear Skies excludes investments in companies that use harmful child labour.

Applicable references:

1. **The IFC Exclusion List:**
https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist#2007

2. **The 10 Principles of the United Nations Global Compact (UNGC):**
https://www.unglobalcompact.org/what-is-gc/mission/principles

- **Human rights:**
Businesses should
  (1) support and respect the protection of internationally proclaimed human rights; and
  (2) ensure that they are not complicit in human-rights abuses.

- **Labor standards:**
Businesses should uphold
  (3) the freedom of association and the effective recognition of the right to collective bargaining;
  (4) the elimination of all forms of forced and compulsory labor;
  (5) the effective abolition of child labor; and
  (6) the elimination of discrimination in respect of employment and occupation.

- **The environment:**
Businesses should
  (7) support a precautionary approach to environmental challenges;
  (8) undertake initiatives to promote greater environmental responsibility; and
  (9) encourage the development and diffusion of environmentally friendly technologies.

- **Anti-corruption:**
Businesses should
  (10) work against corruption in all its forms, including extortion and bribery.

3. **Science Based Targets initiative (SBTi):**
https://sciencebasedtargets.org
4. **Global Coal Exit List (urgewald):**
https://www.coalexit.org
5. **Powering Past Coal Alliance:**
https://poweringpastcoal.org

6. **Net Zero Investment Framework and Net Zero Stewardship Toolkit (IIGCC):** https://www.iigcc.org
7. **EU Taxonomy for Sustainable Activities (European Commission):** https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en
8. **Transition Plan Taskforce (IFRS Foundation):** https://www.ifrs.org/sustainability/knowledge-hub/transition-plan-taskforce-resources
9. **Transition Pathway Initiative (TPI):** https://www.transitionpathwayinitiative.org
10. **Partnership for Carbon Accounting Financials (PCAF):** https://carbonaccountingfinancials.com
11. **MSCI carbon footprinting methodology:** https://www.msci.com
12. **S&P Global (S&P Dow Jones Indices) carbon metrics:** https://www.spglobal.com/en
13. **EU Sustainable Finance Disclosure Regulation (SFDR):** https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en