ESG Positions & Exclusions Policy 2022-2023

Anthos Fund & Asset Management

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Contents

0 Policy review record

V1 2021-2022
First published policy taking into consideration various underlying ESG position papers developed with Constanter.

V2 2022-2023
Changes compared to v1:
- Text adjustments to remove typos and clear up statements. No further substantial change.

1 Introduction

This document provides an overview of our positions on the thematic areas we have identified and on our current strategy for implementing these positions through the expectations we set for our external managers and in our exclusions. This approach applies to all our assets under management (AUM), with possible deviations in the case of specific client mandates. This document is part of the RI Policy of Anthos Fund and Asset Management. Please see the Appendix for an overview of additional related documents.

1.1 Our mission

Our mission is to offer trustworthy advice and holistic, values-based asset management solutions to select, like-minded investors, while accessing the best managers globally to outperform and contribute to the common good. As part of the COFRA group, we also align with the longer-term company-wide aspiration to be a 'Force for Good'. For generations, we have been entrusted with the responsibility of providing comprehensive values-based asset management services for the Brenninkmeijer family, their philanthropic activities and the related pension fund. Our approach is inspired by our values of sustainability, human dignity and good corporate citizenship.

1.2 Our RI objectives

Our overall RI objective is to minimise the potential adverse impact of all our investments and to increase our positive impact by having a growing portion of assets generating sustainable outcomes. We consider responsible investment to be a necessity and part of our commitment to deliver the highest quality of service to our clients. When employing our invested capital, we use the tools for responsible investment to achieve our objectives of enhancing our financial value through risk adjusted returns, fulfilling our purpose and values, and generating a positive social impact.

2 Implementation

As an asset manager Anthos is exposed to systemic ESG risks across all sectors. It is therefore important to improve our understanding of these risks so that we can better position our portfolios and create more value for our clients. At the same time, we take account of the potentially adverse impacts that our investments may have on the world. We use the three broad themes at the heart of our corporate heritage – sustainability, human dignity and good corporate citizenship – to structure our thinking around the ESG issues on which we have developed positions. These themes are not an exhaustive list and will develop as our and our clients' thinking evolves on the most important issues impacting on our investments and the world.

Some of these themes lead to exclusion, and others to engagement, while others are also investible for creating or aligning with impact. Given our role as an indirect investment manager, these themes all translate into expectations from our external managers. We explain our approach to engagement in more detail in our **Engagement & Voting Policy**. In our **Positive and Impact Investment paper** we will also explain more about the themes where we want to create impact. All these papers will be reviewed annually and updated as our thinking develops and according to new legislation.

An overview is set out below of the three approaches (exclusion, engagement and investing for impact) and how they connect with the ESG themes detailed in this policy.

	Sustainability	Human Dignity	Good Corporate Citizenship
EXCLUDE:	Thermal coal, oil sands, Arctic drilling.	Controversial weapons, conventional weapons, gambling, tobacco, adult entertainment.	Sovereign bonds from countries with EU/UN arms embargo sanctions directed at central government per our provider's methodology. Companies violating Global Standards (UNGC and OECD) after failed engagement.
ENGAGE:	Food and natural resources, climate change-sustainable forests and finance, responsible cleantech, climate risk and environmental pollution engagement.	Modern slavery, human rights due diligence, respect and grievance mechanisms. Opioids (part of the Global Standards and Material Risk engagement).	Tax, bribery, corruption, global standard violators. Human capital and the future of work, including diversity and inclusion.
INVEST FOR IMPACT:	Protecting the environment.	Elevating people and communities.	Rethinking the economy.

3 ESG positions and expectations

3.1 Sustainability

We strive to invest in ways that help people and the planet to thrive, today and tomorrow. Climate change and pollution are among the biggest challenges facing the world today. Therefore, we structure our investments and select fund managers with the aim of providing good returns while also contributing to a better world. By investing in companies that do not just avoid harm but also create value, we help to preserve the planet for future generations. We detail our views below on the themes we are currently focusing on and, depending on the theme, describe our approach to exclusion or engagement.

3.1.1 Climate change

We see climate change as a global systemic risk, that potentially affects performance negatively as well as provides opportunities that investors should consider in their investments. One of the immediate financial impacts of climate change stems from the transition to a low-carbon economy, including carbon pricing and changes in consumer and market expectations. The risks connected with this transition affect everyone. Physical and regulatory risks to the underlying investment companies also need to be taken into account. There are two main reasons for considering climate change in our investment process and for developing a climate investment strategy: carbon risk and opportunity, and climate friendliness, as described in the Greenhouse Gas (GHG) Protocol.

In line with the 'Expectations ladder' in the Investor Agenda's climate action plans[1] we count on our fund managers to:

- Assess their current approach to managing climate change risk and opportunity;
- Publish a stand-alone climate action plan;
- Communicate current activities and future plans to stakeholders.

We also expect all our fund managers and the underlying companies to report in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and to act to reduce GHG emissions across their value chains in accordance with the Paris Agreement. These expectations are included in the ESG scorecard assessment that is conducted before investing and subsequent engagement, and that will be monitored annually in order to track alignment and progress towards the goal.

Anthos fully supports the Paris Agreement and, as a result, we aspire to achieve the goal of net zero emissions from our operations by 2030, and portfolios by 2040 in order to limit global warming to 1.5°C by 2050 or sooner.

We expect our fund managers to be our partners on this path. We are developing more specific targets per asset class for our own funds and creating the tools to enable our clients to make better decisions for their portfolios. We believe that by joining other investors in collaborative engagements, and via specialist providers, our voice will be better heard by the companies where the change needs to happen.

3.1.2 Fossil fuels: thermal coal, oil sands and Arctic exploration

The continued use of fossil fuels is a source of great concern, especially in view of our commitment to aligning our portfolio with the Paris Agreement and achieving net zero operational and portfolio emissions by 2040. While we believe, in principle, that engagement and positive investment have a bigger effect on the real economy than simply exclusion, we have decided to limit our investments in thermal coal, oil sands and Arctic drilling as much as possible. Our thresholds for exclusion are as follows:

- Thermal coal is more carbon-intensive than other fossil fuel sources, but it is also more easily replaced. The risks of continuing exposure to thermal coal at this point in the transition outweigh the benefits. We therefore exclude companies exposed to coal extraction and generation, with a **10% revenue threshold**;
- Oil sands have various adverse effects on the environment: they are extremely carbon-intensive, pollute air and land, and also involve various human rights-related controversies. We exclude companies that extract oil sands, with a **10% revenue threshold**;
- Involvement in Arctic drilling exposes companies to reputational and financial risks. Exploring for oil and natural gas in the Arctic is facing opposition from environmental groups, both with regard to global climate change and the increased risk of environmental disasters. We therefore exclude companies involved in oil and gas exploration in the Arctic regions, with a **5% revenue threshold**.

Anthos also seeks to engage with our external managers, especially those active in demand-side companies such as transport, construction or industry. Actively engaging with such companies on aligning their energy goals with the goal of transitioning to a low-carbon economy helps move the needle, as does asking for more transparency and sustained action from such companies. Lastly, Anthos where possible seeks to increase exposure to companies that provide solutions and are better-positioned for the energy transition.

[1] https://theinvestoragenda.org/wp-content/uploads/2021/05/expectations-ladder.pdf.

3.1.3 Nuclear energy

As one of the few low-carbon forms of energy available, nuclear power has the potential to help reduce global carbon emissions and the impact of climate change. However, it is also associated with significant environmental and social risks. Therefore, until safer nuclear power technologies and innovations are developed, Anthos' policy is to engage and select appropriate managers and strategies rather than to exclude nuclear power altogether. We expect our external managers to engage with companies in which they invest in this sector in order to ensure continued progress towards safer and securer energy and taking account of nuclear energy's environmental and social impact.

3.1.4 Deforestation

Well-managed renewable forests can be sustainable, contribute to climate mitigation and bring vital social and economic benefits to low-income populations. One of the causes of deforestation is the growing demand for beef, soy, palm oil and timber, and this growing demand is ultimately a reflection of global population growth. Deforestation is also an important issue with regard to essential foods because forests are valuable sources of biodiversity and play an important role in absorbing GHGs by acting as large stores of carbon. The intentional destruction of forests presents both sustainability and financial risks for companies in a variety of industries, whether directly via companies doing business with illegal loggers or ranchers, or indirectly through longer-term impacts on biodiversity and climate change.

We believe that engagement should be the primary approach to deforestation. Anthos expects its external managers to comply with the principles of no deforestation, no peat and no exploitation (NDPE), particularly in the case of companies involved in the production, trade, use or financing of forest-risk commodities, such as palm oil, soya, timber and cattle. We also expect our managers to push companies to operate strong governance frameworks that clearly state their accountability for deforestation risks and the need to have oversight over these risks and to ensure the traceability of forest products throughout their supply chain.

3.1.5 Biodiversity

All life depends on the biodiversity of our planet. We also depend on it for our wellbeing and survival. Biodiversity is a key indicator of our ecosystem's health, and this is currently being eroded at an unprecedented rate. This continued loss of biological diversity will lead not only to the irreversible loss of plant and animal species, habitats and vital crops, but also affect our supplies of food and medicines and cost the global economy several trillion euros by 2050.

We find the Partnership for Biodiversity Accounting Financials (PBAF) a good guidance for investors and we also align with the definitions of biodiversity, from the Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services, IPBES: "Biodiversity is the variability among living organisms from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part. This includes variation in genetic, phenotypic, phylogenetic, and functional attributes, as well as changes in abundance and distribution over time and space within and among species, biological communities and ecosystems."

At Anthos, we aim to invest with external managers that will be aware of the potential adverse impact on biodiversity that they can have through their operations and within their supply chain. But also the risks that can come to the companies they invest in. We think it's important that companies report on how they manage these risks and to show how they plan to transition to creating a positive instead of a negative impact. This includes, but is not limited to:

- Undertaking scenario-planning and considering structural vulnerabilities to evaluate the resilience of their business models, including the costs of externalities;
- Accepting responsible stewardship of land as imperative. More needs to be done with less in order to prevent deforestation, biodiversity loss, water scarcity and soil degradation. Business plans should include appropriate measures;

- Supporting a sector-wide transition to sustainable business models by, for example, ensuring that suppliers have access to relevant technology and resources;
- Increasing transparency and the availability of relevant corporate data, including data on physical risks and the financial impacts of biodiversity loss.

Companies that systematically and exceptionally have a severe and irremediable adverse impact on biodiversity will be excluded as part of the Global Standards Screening after failed engagement. This will often apply in the case of companies involved in using marine and riverine discharges of mine tailings. We engage through Sustainalytics with companies exposed to the risk of such an impact, as well as with various other companies in the forestry, financial and food sectors.

3.2 Human dignity

We recognise the inherent worth of every individual. Human dignity is the basis of all other rights, and just as all human rights it is universal, inviolable and inalienable. The UN Guiding Principles on Business and Human Rights (UNGP) are the framework we use to safeguard human dignity in accordance with the Universal Declaration of Human Rights. To align ourselves with this framework we exclude controversial weapons, small arms and military contracting, tobacco, gambling and adult entertainment from our investments.

3.2.1 Human rights

The UN 'Protect, Respect and Remedy' Framework for Business and Human Rights sets out the responsibility of governments for protecting and of companies for respecting human rights. This also applies to investors and the financial sector. All businesses have an effect or impact on human rights. Understanding this impact and acting with respect to the rights of people and communities not only goes hand in hand with good business conduct, but also with risk management.

We expect our external managers, and their underlying investments, to comply with internationally recognised human rights principles and to use the UN Guiding Principles for Business and Human Rights framework. We expect and ask them to integrate these principles into their policies, strategy, risk management and reporting. We are starting to further develop our approach on integrating Human Rights across our investment activities.

3.2.2 Labour rights

We expect our external managers to take labour rights and supply chain risks into consideration in their investment decisions. When considering labour rights, Anthos is guided by the International Labour Organization (ILO), identifying four issues – child labour, striving for equality while reducing discrimination, forced labour, and health and safety at work – as being key to protecting rights at work. We expect our external managers and their investments to respect these issues. We also expect them to treat workers fairly, regardless of gender or background, and to provide living wages and fair working conditions.

If not managed carefully, the supply chain can contain significant numbers of potentially harmful risks. Regional differences, especially in regard to differing regulatory requirements, further complicate this topic. Risks to human dignity and sustainability may include environmental impact, loss of biodiversity, human rights grievances and unethical business practices. Outsourcing supply chain operations does not exempt businesses from complying with social and environmental standards. Managing this aspect well and striving for responsible sourcing can add tremendous value to a company by protecting brand integrity, ensuring business continuity and managing operational costs.

The ability to monitor and implement labour rights and supply chain risk management varies, depending on the asset class. At Anthos we expect our external managers to show a good understanding of key supply chain risks in their investments, to integrate ESG considerations – where relevant to labour rights – throughout their investment process, and to clearly stipulate how they do so in their ESG policy. We expect our fund managers to engage with their portfolio companies on supply chain risks; to follow up on any incidents; to set specific objectives, goals and business-level KPIs for portfolio companies' supply chain measures, and to provide clear, transparent and timely reporting on these aspects and on progress made in their investments.

3.2.3 Opioids

At Anthos, investing in companies that exploit the addictive qualities of opioids goes against our defined RI objectives of fulfilling our purpose and values, and generating a positive social impact. The harmful and destructive effects of the opioid crisis, felt most keenly by the most vulnerable members of society, will be visible for many years to come. We foresee that the financial consequences of these actions, specifically those relating to misleading marketing practices similar to those used in the tobacco industry, will also be far-reaching and long-lasting. However, holding pharmaceutical companies to account on these issues is much more complex than in the case of tobacco companies due to the specific legal and regulatory nuances in this industry, as well as the strength of its lobbying arm.

Companies causing harm by being involved in unlawful drug or opioid malpractices in a widespread and systematic manner (i.e. causing medicine/opioid addiction) can be excluded based on Principle 1 of the UN Global Compact if the key issue concerns consumers' rights or patients' health, or on Principle 10 if it relates to fraudulent behaviour. Our external engagement service provider engages with companies that violate the UN Global Compact Principles. We expect the same from the fund managers we invest with.

3.2.4 Controversial weapons

The use of controversial weapons undermines Anthos' belief in promoting and protecting human dignity. Anthos aims to exclude all companies that derive revenue from the sale or production of controversial weapons, such as anti-personnel mines, nuclear weapons, cluster weapons, biological and chemical weapons, depleted uranium or white phosphorus munitions. The use of controversial weapons undermines Anthos' belief in promoting and protecting human dignity. As with our other exclusions we follow the research and definitions of Sustainalytics to determine the companies in violation. We align with the following international standards:

- Nuclear Non-Proliferation Treaty (1970);
- Biological Weapons and Toxin Convention (1975);
- Chemical Weapons Convention (1997);
- Anti-Personnel Mine Ban Convention (i.e. Ottawa Treaty 1999);
- Convention on Cluster Munitions (2010).

We expect our external managers to have their own clear and comprehensive exclusion policy on controversial weapons and, where such exclusion policy is not possible, to actively engage with companies in the aerospace and defence industry that are involved in developing, producing, stockpiling or selling controversial weapons.

3.2.5 Conventional weapons

We believe that misuse of small arms and light weapons has resulted in serious crimes often involving the most vulnerable in society and directly impacting on the value of human life and dignity. Anthos excludes companies involved in small arms and military contracting. Such involvement is considered to include companies deriving 5% or more of their revenue from:

- the manufacture and sale of assault weapons to civilians or military/law enforcement customers;
- the manufacture and sale of key components of small arms;
- the manufacture of weapons or weapons systems;
- providing tailor-made products or services for weapons or weapon systems.

We align with the following international standards:

- UN Security Council adopted Resolution 2117 on Small Arms and Light Weapons.

3.2.6 Gambling

Gambling has a strongly adverse impact on society through pathological gambling and its associated problems. The effects of aggressive marketing practices on vulnerable groups and individuals, as well as issues relating to legal compliance, data privacy and security, secure payments, anti-money laundering and fraud prevention, are just a few examples of the social impacts that can be associated with gambling. This activity consequently does not align with our values of human dignity and sustainability. Anthos excludes companies that derive 5% or more of their revenue from:

- Direct ownership and/or operation of a gambling establishment;
- Manufacturing of specialised equipment used exclusively for gambling;
- Supporting products or services, including financial products or services, used exclusively for or related to gambling.

We adhere to the following international standards:

- European Gaming Standards (2007);
- European Betting & Gaming Association Standards (2011).

3.2.7 Tobacco

Tobacco contributes to serious health problems and is one of the main risk factors in chronic diseases, including cancer and heart disease, and can also adversely impact on other people through, for example, passive smoking. The sector also entails other risks and adverse impacts, including those pertaining to labour management practices such as working conditions, employment and respect for human rights. Anthos excludes companies that:

- Produce tobacco;
- Generate 5% of their revenue from the distribution or retail sales of tobacco products;
- Have a significant ownership of a tobacco-producing company.

We adhere to the following international standards:

- ILO standards, conventions and recommendations on work environment and labour standards (1998);
- World Health Organization Framework Convention on Tobacco Control (2005);
- UN Guiding Principles on Business and Human Rights (2011).

3.2.8 Pornography/adult entertainment

We believe that the adult entertainment industry can have an adverse impact on society, as well as being known for poor labour conditions and other criminal activities, and is linked to the risk of human exploitation and degradation.

Aligned with our values of human dignity and good corporate citizenship, Anthos refrains from investing in companies that:

- derive more than 5% of their revenue from pornography or adult entertainment;
- derive more than 5% of their revenue from the production or distribution of adult entertainment materials.

We adhere to the following international standards:

- ILO standards, conventions and recommendations on work environment and labour standards (1998).

3.3 Good corporate citizenship - good governance

We do everything possible to understand and enhance our own corporate, environmental and social impact, and to be a responsible investor by matching our investment process to our purpose and our clients' aims. We expect the same from our external managers and the companies we invest in. We believe that companies with a good corporate governance structure, which is self-regulating to ensure good practices in the future, are a key factor in determining financial success and the consistency of ESG integration. We aim to comply with the UN Global Compact Principles, OECD Guidelines for Multinational Enterprises and the G20/OECD Principles of Corporate Governance (**see Appendix**). Our client portfolios are screened using the Global Standards Screening, an assessment provided by Sustainalytics.[2]

4 Exclusion policy

It is only in investments made under a segregated mandate that we are able to fully implement exclusions. However, Anthos mainly invests through pooled funds, where our ability to implement exclusions is more limited. Nevertheless, we aim to report exposure to excluded categories within the pooled funds, select managers with similar policies, and will engage with the fund managers to exclude specific categories from the funds we are interested in investing in. Overall, our target is to have 0% of AUM exposure to exclusions in segregated mandates, and no more than 5% exposure to issuers on the exclusion list in each asset class. We recognise three main groups of exclusions (based on the reasons for exclusion):

1. **Legal expectations and international norms:**
    a. Living up to the legal expectations where there is a ban on investing in controversial weapons and aligning with minimum standards of business practice based on international norms, such as the OECD guidelines, the UN Human Rights Declaration and the Security Council sanctions of the UN Global Compact:
        i. Controversial weapons as defined by Sustainalytics;
        ii. Conventional weapons: small arms and military contracting;
        iii. Global Standards (UNGC, OECD) violators after failed engagement;
        iv. Sovereign bonds with EU/UN sanctions directed at central governments and including an arms embargo.
2. **Values and beliefs:**
    a. We want to make sure that, as a responsible investor, we do not finance products that are not in line with our and our clients' values and beliefs. Therefore, we exclude companies that do not align with these values and beliefs, based on their involvement in:
        i. Tobacco,
        ii. Adult entertainment,
        iii. Gambling.
3. **Climate Net Zero 2040 ambition:**
    a. Based on minimising both our financial risk and our adverse impact, we exclude companies involved in:
        i. Coal, oil sands and Arctic drilling.

[2] Global Standards Screening (GSS) is an assessment provided by Sustainalytics to determine whether a company is violating, or at risk of violating, one or more of the UN Global Compact Principles and related international norms and standards. It identifies companies that fail to meet established expectations for responsible business conduct. The nature and scope of alleged or actual violations of norms and their impact on stakeholders are the starting point of a GSS assessment. GSS analyses norms and standards enshrined in the UNGC, the OECD MNE Guidelines and the UN Guiding Principles on Business and Human Rights (UNGPs), as well as their underlying conventions and treaties.

5 Appendix

5.1 UN Global Compact Principles

Human Rights:

•Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

•Principle 2: Make sure they are not complicit in human rights abuses.

Labour:

•Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

•Principle 4: the elimination of all forms of forced and compulsory labour;

•Principle 5: the effective abolition of child labour; and

•Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment:

•Principle 7: Businesses should support a precautionary approach to environmental challenges;

•Principle 8: undertake initiatives to promote greater environmental responsibility; and

•Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption:

•Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

https://www.unglobalcompact.org/what-is-gc/mission/principles

5.2 OECD Guidelines for Multinational Enterprises

"The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognized standards."

The guidelines cover the following themes in the following chapters:

I Concepts and Principles
II General Policies
III Disclosure
IV Human Rights
V Employment and Industrial Relations
VI Environment
VII Combating Bribery, Bribe Solicitation and Extortion
VIII Consumer Interests
IX Science and Technology
X Competition
XI Taxation

Not all of these will be relevant for companies, and some will be more in the realm of governments.

http://mneguidelines.oecd.org/guidelines/

5.3 G20/OECD Principles of Corporate Governance

Good corporate governance is not an end in itself. It is a means to support economic efficiency, sustainable growth and financial stability. It facilitates companies' access to capital for long-term investment and helps ensure that shareholders and other stakeholders who contribute to the success of the corporation are treated fairly.

Policy makers and regulators are faced with the important challenge to adapt corporate governance frameworks to rapid changes in both the corporate and financial landscape. Examples of such challenges include the increasing complexity of the investment chain, the changing role of stock exchanges and the emergence of new investors, investment strategies and trading practices.

Originally developed by the OECD in 1999, then updated in 2004, the 2015 revision of the Principles of Corporate Governance addresses these and other emerging issues that are increasingly relevant. The Principles have been adopted as one of the Financial Stability Board's key standards for sound financial systems and have been used by the World Bank Group in more than 60 country reviews worldwide. They also serve as the basis for the guidelines on corporate governance of banks issued by the Basel Committee on Banking Supervision.

http://www.oecd.org/corporate/principles-corporate-governance.htm