Positive and Impact Investment Policy

Anthos Fund & Asset Management

Contents

1. Scope

This document describes the approach of Anthos Fund & Asset Management (Anthos) to impact investing. It covers our impact investing journey from inception to implementation, and constitutes one of the elements of our RI Policy, together with our ESG Positions and Exclusions Policy, and our Stewardship (Engagement and Voting) Policy.

2. History of impact investing at Anthos

The Brenninkmeijer family owners have been in business for nearly two hundred years, and always cared deeply about the way they do business and the impact their decisions have on people, communities, society and the environment. In 2012, in response to growing interest among family member clients of Anthos, a dedicated impact investing fund was created to give clients greater opportunity to invest in such beneficial funds.

Figure 1: Part of something bigger

The first impact investing fund was created as a retail fund with the mission of **enabling self-reliance of under-served communities in developing economies so that these communities could sustain and develop themselves more effectively, and combining this with decent financial returns for investors.** It was created as an impact-first fund (i.e. with greater weight being given to impact than to financial returns) investing primarily in basic services (healthcare, education, renewable energy, water, housing and information) and primarily through private debt and private equity, and only in fund vehicles.

In 2014, the family's charitable endowment decided to extend its impact investing capability by creating a larger team and truly institutionalising impact investing. This new initiative, the Skopos Impact Fund, focused initially largely on fund and direct investments, on emerging and developed markets, and on private assets, with its initial themes being inspired by the charitable programme areas at that time (faith, climate, social issues and education). In 2018, the fund evolved to concentrate on direct investing only, and largely focusing on the circular economy and renewable infrastructure.

3. Our journey: values-based investment and impact

During our journey we learned many valuable lessons on staying at the forefront of impact investing. However, being opportunistic, focusing only on private assets and developing markets, prioritising the catalytic 'impact-first' nature and not taking on active governance roles in Limited Partner Advisory Committees (LPACs) all led to a higher risk-reward profile, and this threatened to undermine the viability of the impact we could achieve through our investments.

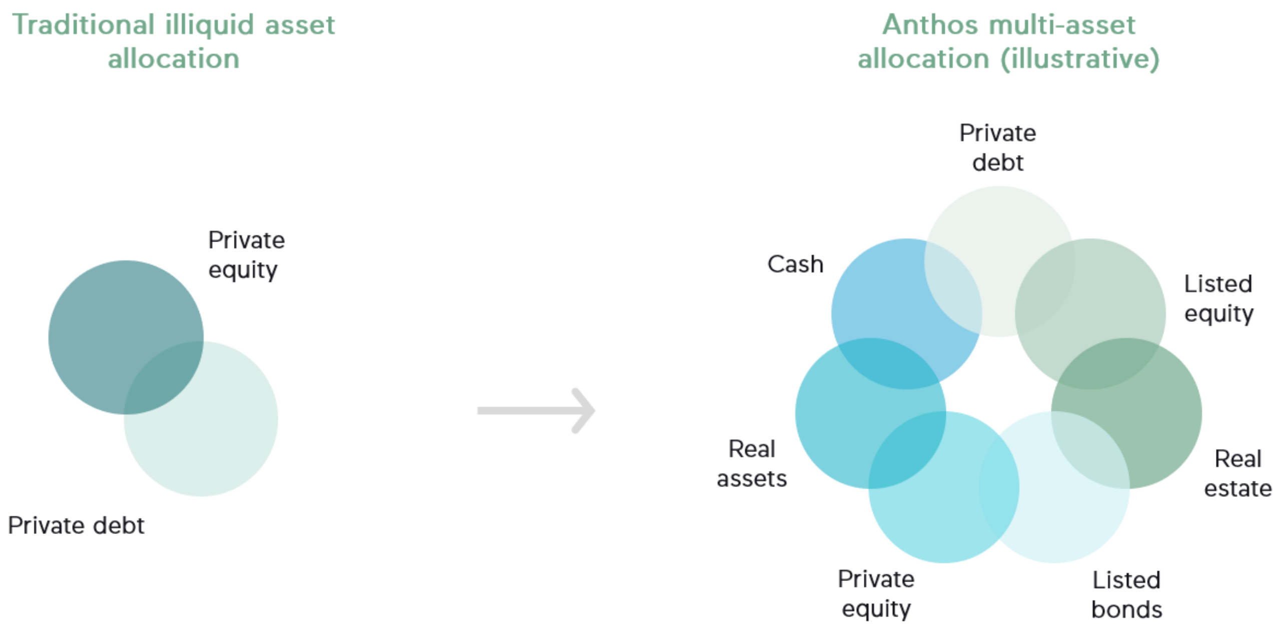

Figure 2: Moving from traditional 'grass roots' level impact to broader multi-asset impact allocation

In 2018, after an in-depth evaluation of our impact investing activities, we decided to adopt a strategic approach to portfolio construction. Firstly, we introduced a multi-asset class approach, underpinned by a strategic asset allocation. This resulted in an all-weather portfolio with both impact and financial diversification. Then we decided to adopt a more balanced approach to the distinction between developed and developing economies so that we could deploy capital more freely and mitigate geopolitical, liquidity and currency risk. This resulted in an impact, financial and capital deployment justification being provided for each asset class and its role in our multi-asset impact portfolios.

This set-up has enabled us to identify two types of impact in the real economy: systems change and change at the 'grass roots' level. Similarly, the Impact Management Project (IMP) has defined differing levels of impact through the ABC norms: 'Act to avoid harm', 'Benefit stakeholders' and 'Contribute to solutions'. The hypothesis is that achieving a systems change by investing in global or developed-world listed strategies creates opportunities to achieve change while aligning with the impact of the world's larger companies. In order, however, to maintain our commitment to change at the grass roots level, we have chosen also to continue investing in private markets, with a preference for emerging markets, so as to help empower small and medium-sized enterprises in the world's faster-growing economies. We do this in alignment with our three core values of sustainability, human dignity and good corporate citizenship, which translate into the three main focal areas discussed in our impact strategy.

4. Our impact approach

When designing our overall impact approach, we took account of elements in our own proprietary methodology, which was established in 2015 and served as a precursor to the IMP and the Sustainable Development Goals (SDGs). We also used the operating principles of the International Finance Corporation (IFC) as a structure, specifically the principles governing strategy, manager selection and due diligence, portfolio monitoring and divestment as set out below:

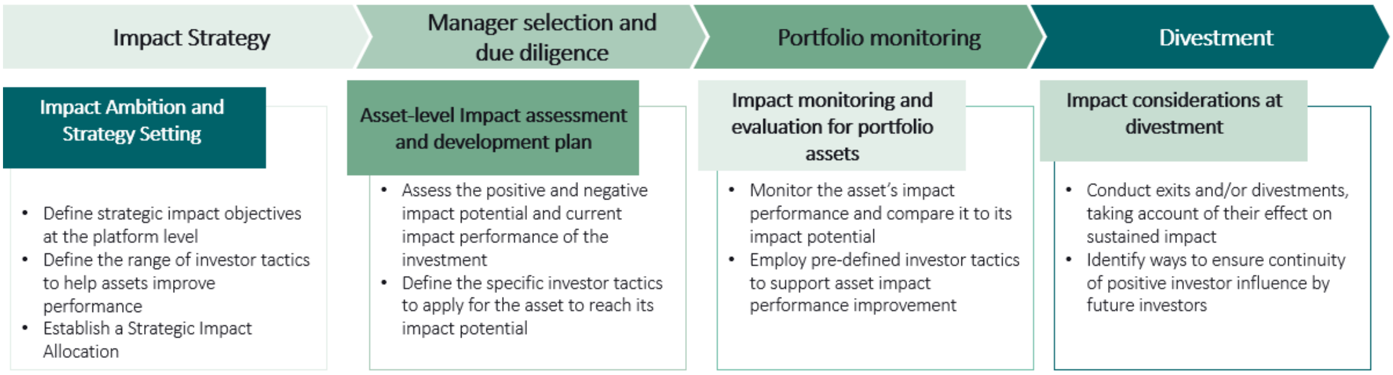

Figure 3: Anthos Impact Measurement and Management Approach

5. Elements of our impact approach

5.1 Impact strategy

Starting from our three core values of sustainability, human dignity and good corporate citizenship, we have defined three focal areas where we would like to see improvement and impact. We have linked these to the relevant SDGs, as shown below, and are looking for investments to contribute to these topics in a direct and meaningful way. In other words, we are seeking to invest in companies whose products and services contribute to one or more of the following:

- 1. Protecting the environment
- 2. Elevating people and communities
- 3. Rethinking the economy

These three themes also relate to the activities of our broader ecosystem from both a business and philanthropic perspective. Increasing our positive impact by investing in these three themes is an objective that we are aiming to achieve not only through a single impact product, but through all the portfolios and asset classes we invest in. A fourth area of focus is on collaborating and inspiring change through field-building, as we explain below in our engagement and thought leadership sections.

We have intentionally included the entire spectrum of SDGs so as to allow each asset class the flexibility needed to contribute its respective attributes. Our approach is well represented in the Stockholm Resilience Centre's three-layer scheme, which shows how the economy is tightly embedded in society and the biosphere. We map our investments against the SDGs at each of these three levels.

Our Values	Areas of Impact focus
Good Corporate Citizenship	**Inspiring change through collaboration and field building** **Rethinking the economy** SDGs: Decent work and economic growth, industry, innovation and infrastructure, reduced inequalities and responsible consumption and production.
Human Dignity	**Elevating people and communities** SDGs: No poverty, sustainable cities, peace, justice and strong institutions, affordable and clean energy, good health and wellbeing, high-quality education, gender equality, zero hunger.
Sustainability	**Protecting the environment** SDGs: Life on land, life below water, clean water and sanitation, climate action

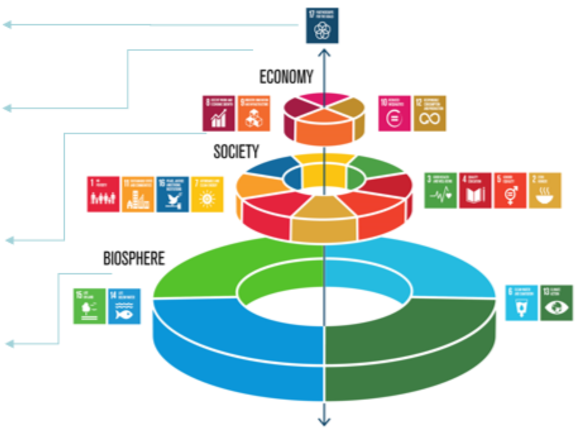

Figure 4: Thematic focus and the SGDs. Infographic from Stockholm Resilience Centre, representation of SDGs in three layers.

Our definition of impact investing means investing in solutions that meet defined financial risk and return requirements and that also support the generating of measurable and significant positive social and/or environmental impact. In practice, this means investing in companies that provide these positive outcomes through their products and services (e.g. providing access to healthcare for vulnerable patients, or solutions that significantly reduce or mitigate CO_2 emissions).

Figure 5: Impact Management Project categories

We map the different types of impact by using the IMP norms, as shown in Figure 5. In this way, we broaden the scope for positive investing to include both sustainable and impact investing (B&C). This then enables us to look beyond narrowly defined impact funds and to see the potential of many different funds, some of which may currently be sustainable, but have the ambition and potential also to achieve impact. An overview of the different categories of impact, in line with our implementation of the IMP norms, is set out below.

5.2 Manager selection and due diligence through an impact lens

The unique value we add as an investor is our ability to leverage our entire ecosystem – including the international presence of our operating, investing and philanthropic entities – so as to continue building our domain expertise and view on certain sectors and geographies. In addition, we have built our own proprietary tool that logs our pipeline and monitors the impact suitability, using our impact methodology.

Being fund selectors means we need to understand the type of impact each fund aims to have and then to assess the quality of the manager who will be managing that fund. We use the ESG scorecard as a starting point for all our funds. Funds eligible for consideration as an impact investment have to have managers who will be assessed as a Professional or Leader in our ESG score. More details of our ESG scorecard and manager expectations can be found in our Responsible Investing (RI) policy.

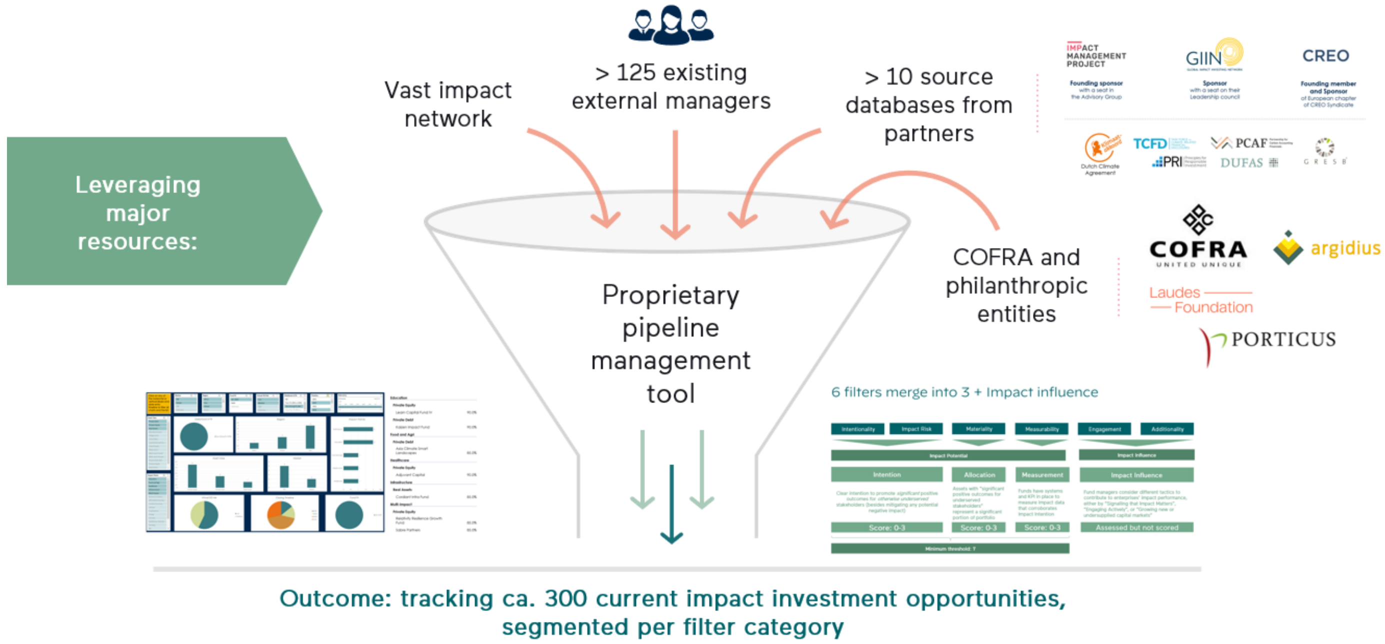

Figure 6: Impact pipeline management

Our impact methodology attempts to adopt both a quantitative and qualitative approach to evaluating investments, regardless of asset class, theme, size or geography. We score impact potential by looking at the intention, the allocation of capital and the measurement capabilities of the fund and the manager we want to invest in. When examining impact influence we assess but do not score engagement and additionality.

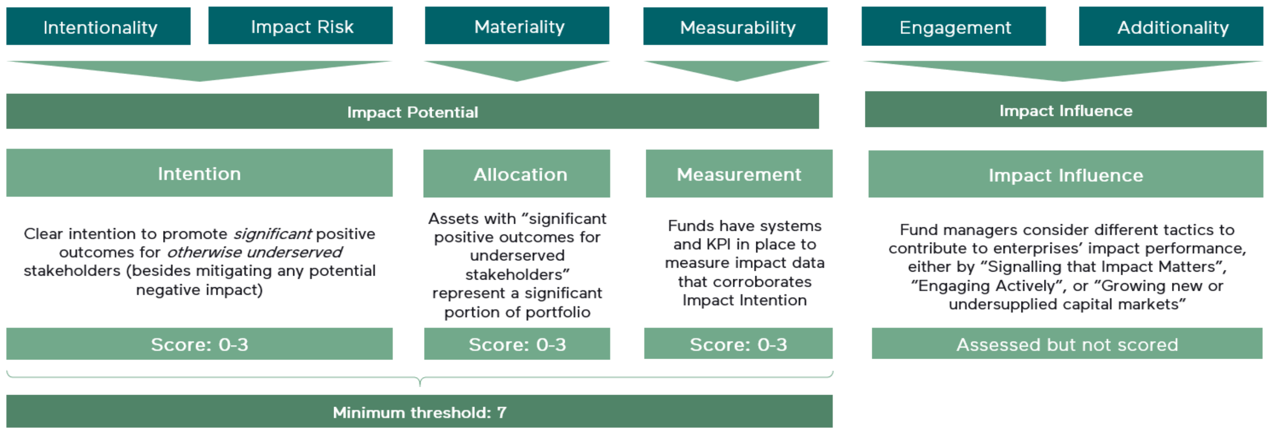

Figure 7: Impact methodology evolution

After assessing the quality of the manager in integrating ESG, we use the IMPact scorecard assessment, where we also define our expectations and aim to set the minimum requirements for a score of 0 - 3 on each of the main dimensions (intention, allocation and measurement). We have noted that the types of impact (M/D, A, B &

C) in this scorecard align relatively well with the Sustainable Finance Disclosure Regulation (SFDR) requirements for reporting and the requirements for categorising as Article 6, 8 or 9 funds. Although the details of SFDR are still being worked out, we aspire to invest in Article 9 funds with sustainable investment or a reduction in carbon emissions as their objectives. These funds map to B or C in the IMP categorisation.

Three dimensions of impact: intention, allocation and measurement

Intention, allocation and measurement are the three dimensions we use to assess all the funds being considered for our impact investments. The expectations in this respect are:

- **Intention:** to achieve the highest rating of 3, a fund manager has to have a clear theory of change and to address solutions through the products and services offered. We expect to see themes in line with the SDGs and the EU taxonomy, implementation of the 'Do No Significant Harm' principle and reporting aiming to show significant positive outcomes for under-served stakeholders;
- **Allocation:** to achieve the highest rating of 3, all a fund's underlying assets have to be a minimum of IMP B (i.e. providing solutions for impact), with a material portion of those assets aiming to show significant outcomes for under-served stakeholders (IMP C);
- **Measurement:** to achieve the highest rating of 3 a fund must demonstrate that the significant outcomes are experienced by under-served stakeholders (ideally using the IMP five dimensions of impact). This is in addition to measuring the negative outcomes and a commitment to reporting in line with SFDR Article 9 or another relevant reporting standard.

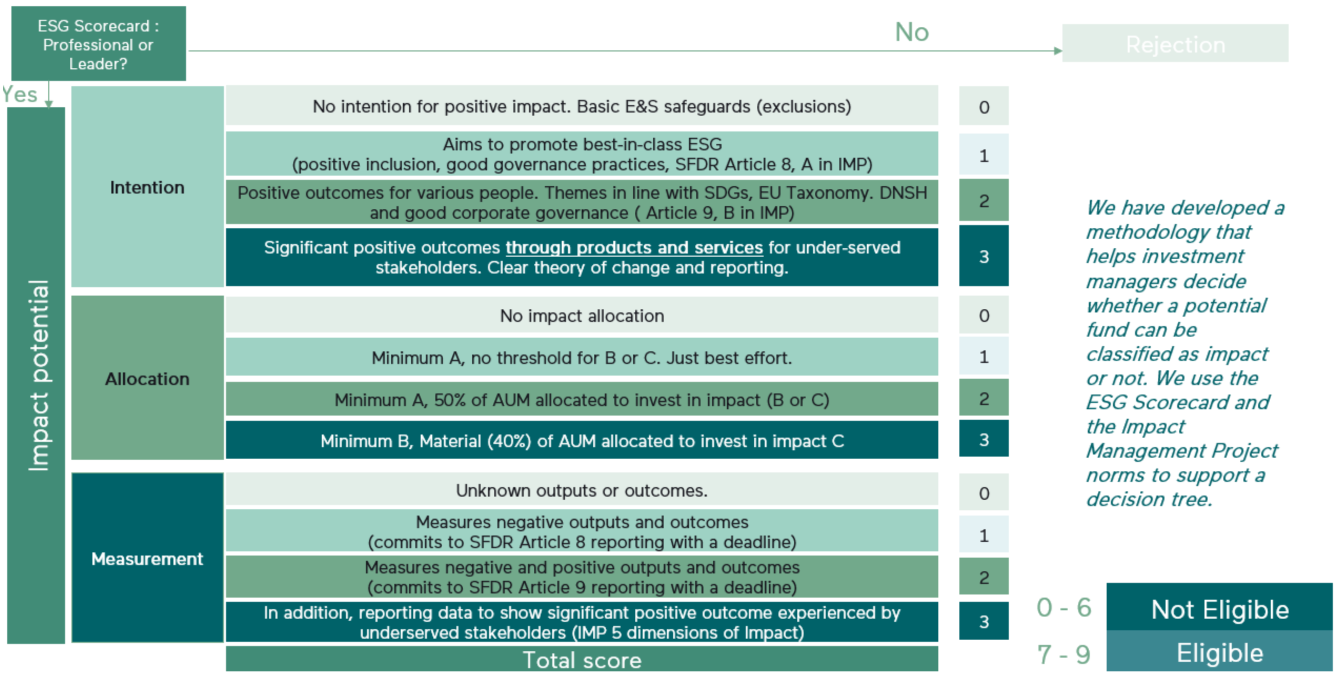

Figure 8: Impact potential decision tree

Other inputs that inform the scorecard include data collection, phone calls with in-house ESG/impact professionals, client office visits and field visits to beneficiaries. Eligibility for impact potential does not guarantee the investment will be made because other aspects, including financial performance, also need to be taken into account. We use the scorecard as guidance to better assess potential for impact. As, however, our thinking and the industry are continually evolving, the scorecard criteria, too, will evolve over time.

Anthos' impact risk tolerance

Anthos has a slightly higher tolerance for impact risk than for financial risk, but generally takes a very conservative approach to both. Potential impact risk plays an important role in our capital allocation process. For example, we will not invest in areas with outsized financial returns but high impact risk. Similar to its approach to assessing financial risk, Anthos conducts sensitivity analyses across various sectors or themes within its portfolio so as to understand the impact risk. Risk is captured as part of its IMPact scorecard, using the definition from the IMP. At the fund level, each type of impact risk is identified separately and quantified on a standardised scale so as to build a composite risk score, which ultimately determines whether Anthos will invest. This includes assessing the likelihood of the impact being materially different in terms of breadth and depth, and how to mitigate those risks. Examples of risk include evidence risk, external risk, unexpected impact risk, execution risk, alignment risk, and others as described by the IMP.

Anthos' investor contribution

As an investor, we try to add value in a myriad of ways beyond the capital we invest. We expect the same from our managers, and assess this through the Investment Influence in the IMPact scorecard. Given the breadth and depth of our portfolio we share best practices on impact methodologies within our portfolio so that our fund managers can learn from one another.

Wherever possible and where the size of our investment allows, we seek to participate in impact governance roles within the investee fund. Sometimes that means taking on the role of impact lead on an LPAC or being a key member of the impact advisory council or social impact committee. These roles enable us to advise funds on their methodology, measurement, monitoring and reporting practices. We also encourage them to help build an impact ecosystem by partnering with or joining industry associations (such as GIIN) and, where relevant, becoming signatories to agreements (PRI).

5.3 Monitoring and reporting

For all our funds, as described in the RI policy documents, we use the ESG and IMPact scorecards to assess pre-investment and then monitor and engage with the managers with the aim of achieving improvement after investment. Funds labelled as impact funds also have impact scorecards that monitor the impact of their post-investment performance on the agreed KPIs in more detail. While we aim to have some KPIs spanning all our investments, the impact scorecards are designed to specifically measure the key impact metrics identified jointly by Anthos and its fund managers.

These metrics obviously vary, depending on the fund manager selection and the impact sector or theme. Scorecards are monitored annually, and fund managers are asked to forecast impact returns over three to five years from the time of investment. If the realised impact is significantly lower than forecasted impact, Anthos works with its fund managers to conduct an annual root cause analysis and identify shortcomings in the business model or context-specific external factors driving the impact under-performance, and to re-adjust impact objectives accordingly. After our measurement, all portfolio managers prepare an annual external monitoring report, which examines any key impact-related personal, performance or process changes in more depth. We also compile an annual report that captures and synthesises our impact, theme by theme, at both an aggregate level and in-depth for each investee.

5.4 Divestments and exit

In the case of impact funds, Anthos may actively divest for impact reasons or for financial reasons. When doing so, however, we carefully consider the aspect of impact continuity for the underlying assets and beneficiaries, and so may continue to engage beyond our investment time horizon, or help the fund through well-considered secondary sales. Regardless of the reason for divestment or redemption, we consider the effect this will have on the sustained impact of the investment and aim to ensure that future investors will continue to be able to exert a positive influence. However, our ability to control secondary investments varies, depending on whether the investments are in the public or private markets.

6. Collaboration and thought leadership

In addition to the regulatory factors, voluntary requirements and the global frameworks outlined in the RI policy, Anthos has been a pioneer in publishing several documents on thought leadership and is either funding or is a member of various relevant RI and impact initiatives.

As we had created our proprietary framework before the IMP began, our publication *More than Measurement* provides clear insight into our journey on what became the five dimensions of the IMP.

In addition to our active membership of the GIIN Investors' Council, we were actively involved in pushing the industry to sponsor a working group on holding companies and their potential for impact. A report on this work has since been published by UBS. We also contributed our thoughts on equally weighing the financial and impact risk returns in the GIIN publication *Decision Making: Insights on Financial Performance*. Lastly, and given our focus on preserving our mission in the event of exits and divestments, we have also sponsored and published empirical research on this subject in *Great Expectations: Mission Preservation and Financial Performance in Impact Investing*.

7. Governance

7.1 Impact governance at a group level

Impact is part of the larger system of governance that we operate at Anthos with regard to RI. The impact subcommittee consists of the Director of RI, the Head of the Investment Department (HoID) and the Managing Director (MD) of the impact funds portfolios, as well as the COFRA Impact Strategy Group representative on an ad hoc basis and rotating MDs from the asset classes for at least six months. This subcommittee's mandate is broad and ranges from vetting and revising the impact methodology and examining how things are integrated into the investment process to reporting on challenges, publications and thought leadership. The committee typically meets twice a quarter or on an ad hoc basis, depending on the level of activity.

7.2 Integration of impact governance into the investment process

To deliver greater impact and ensure we get the best of both worlds, we evaluate the impact from two perspectives – the impact specialist and the asset class specialist. In order to adhere to the firm's principle of dual control, the impact assessment is conducted, calibrated and approved by the MD of the Impact Funds Portfolios and the asset class specialist MD depending on the asset class of the potential impact fund being assessed. The Director of RI is the back-up for the MD of the Impact Funds Portfolios, and the two MDs from the same asset class are a back-up to each other. This wider forum will discuss any material disagreement arising and will consult the HoID if escalation is required.