

# Exclusion Policy

Anthos Fund & Asset Management



## Exclusion Policy

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# 1 Introduction

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.

To inform the implementation of our values we use the guidance from international standards such as the UN Global Compact, OECD Guidelines for Multinational Enterprises (MNEs), and the aligned UN Guiding principles for Business and Human Rights, among other relevant and specific to the theme in question. Based on our values and international guidelines we have determined an exclusion list, which whenever possible serves as the baseline for all our assets under management.

This policy applies to all assets under management with exceptions in its implementation.<sup>1</sup> It is only in investments made under a segregated mandate that we can fully implement exclusions. Anthos mainly invests through pooled funds, where our ability to implement exclusions is limited. Nevertheless, we aim to avoid or lower exposure to excluded categories within the pooled funds, by selecting managers with similar policies, and engaging with the fund managers where possible to avoid or even exclude the relevant categories or companies. 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 product. Depending on a product, or a specific client mandate there may be additional exclusions applied.

# 2 Governance and monitoring

The exclusion list is refreshed two times a year and approved by the management team including the board members (CEO and CRIO). We report on our exclusions at least annually in the Responsible Investment annual report and more often to clients. This policy follows the same governance as the RI policy. It is approved by the board and delegated to the investment department and data and technology for implementation.

# 3 Exclusions

**We recognise three main groups of exclusions (based on the reasons for exclusion):**

## 3.1 Legal expectations and international norms

This group of exclusions constitutes of categories related to our ambition to align with minimum standards of business practice based on international norms, such as the OECD guidelines, the UN Human Rights Declaration, or the UN Global Compact principles:

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<sup>1</sup> The implementation differs depending on the asset class, data availability and the type of investment instrument. For example, derivatives, cash, or type of tenants in the real estate portfolio will be out of scope for exclusions implementation. Private equity portfolios are screened based on a sector level exposure that relates to the excluded categories, and a case-by-case assessment of the company in question. Reporting on the hedge funds portfolio can be reported to the extent possible and as estimates rather than screened on a company level.

### 3.1.1 Controversial weapons as defined by our external data provider.

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 engage in developing, producing, stockpiling, or selling controversial weapons.

### 3.1.2 Conventional weapons: small arms and military contracting.

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. Furthermore we recognize the need for defense also as a cornerstone of international law, enshrined in the UN charter (Article 51), we also believe that certain types of military contracting can be considered controversial for reasons of pacifism, asymmetric defense-related purchasing power between countries, negative effects on economic growth and development in post-conflict areas as a result of defense-spending, as well as potential issues around transparency and corruption, and its potential for (re-)fuelling wars and conflicts. As a values-based investor we therefore exclude companies involved in small arms and military contracting. This includes **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.

### 3.1.3 Global Standards (UNGIC, OECD) violators after failed engagement.

Our external engagement service provider engages with companies that violate the UN Global Compact Principles. After failed engagement, they assign the company with a Disengage label. These companies are on the exclusion list of Anthos until their status changes. For example, 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

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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, after failed engagement by our external engagement service provider.

### 3.1.4 Government bonds with EU/UN sanctions directed at central governments and including an arms embargo.

Next to the regulatory expectation to follow the sanction lists, we also aim to exclude government bonds of countries that have EU/UN sanctions in the form of an arms embargo directed at central governments. The EU/UN sanctions are not against a whole country. This is why we follow our data provider's methodology to define when an arms embargo can be considered as targeting the central government of a country. E.g., when it refers to high level officials, or other actors that cannot be considered to be acting independently from the state.

## 3.2 Values and beliefs

This group of exclusions constitutes categories related to our ambition as a responsible and values-based investor, to not finance products that are not in line with our and our clients' values and beliefs.

### 3.2.1 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).

### 3.2.2 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.

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We adhere to the following international standards:

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

### 3.2.3 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 gambling.

We adhere to the following international standards:

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

## 3.3 Climate Net Zero 2040 ambition

Based on minimising both our financial risk and our adverse impact, we exclude companies involved in:

### 3.3.1 Thermal coal

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.

### 3.3.2 Oil sands

Oil sands have various adverse effects on the environment: they are extremely carbon-intensive, pollute air and land, and involve various human rights-related controversies. We exclude companies that extract oil sands, with a 10% revenue threshold.

### 3.3.3 Involvement in exploration of oil and gas in the Arctic

This activity exposes companies to reputational and financial risks. Exploring for oil and natural gas in the Arctic is facing opposition from environmental groups, both regarding global climate change and the increased risk of environmental disasters. We believe it is a threat to fragile Arctic ecosystems, habitat destruction and water pollution. We therefore exclude companies involved in oil and gas exploration in the Arctic regions, with a 5% revenue threshold.

## 4 Appendix

### 4.1 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>

### 4.2 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/>