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# Exclusion Policy Robeco

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## 1. Introduction

Robeco Institutional Asset Management (hereinafter: Robeco) actively advocates sustainability investing by integrating environmental, social and governance factors (ESG) into the investment process in various ways. We are convinced this leads to better-informed investment decisions and benefits society. Carrying out stewardship responsibilities is an integral part of Robeco's sustainability investing approach. As such, Robeco wants to avoid making any investments which we or our clients deem unsuitable.

Robeco will apply this exclusion policy to all listed assets under management from all funds over which we have full discretion, including those funds sub-advised by group members, but excluding discretionary mandates and client specific funds.

For Robeco's Sustainable Fund Range, more extended limitations are applied.

## 2. Focus Areas

We exclude from our investment universe the following focus areas:

### Controversial behavior

Robeco acts in accordance with the United Nations Global Compact (UNGC) to assess the behavior of companies. An enhanced engagement process is applied with companies that have severe breaches of the UNGC principles which are outlined in annex 1. If this enhanced engagement, which may last up to a three year period, does not lead to the desired change, Robeco will decide to exclude a company from its investment universe.

### Controversial products

#### Controversial weapons

Robeco deems anti-personnel mines, cluster munitions, chemical, biological weapons, depleted uranium weapons and nuclear weapons to be controversial weapons. Exclusion is applied to companies that are manufacturers of certain products that do not comply with the following treaties or legal bans on controversial weapons:

1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines.
2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions.
3. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons.
4. Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.
5. The Treaty on the Non-Proliferation of Nuclear Weapons (1968) which limits the spread of nuclear weapons to the group of so-called Nuclear-Weapons States (USA, Russia, UK, France and China).
6. The Dutch act on Financial Supervision 'Besluit marktmisbruik' art. 21 a.
7. The Belgian Loi Mahoux, the ban on uranium weapons.

#### Tobacco

Tobacco is an unhealthy and socially disadvantageous product. Robeco deems investing in tobacco companies an unsustainable investment. Exclusion is applied to companies that are involved in the production of tobacco or suppliers of significant components of cigarettes (such as filters) or companies with a significant ownerships in those companies.

#### Excluded countries/sovereign debt

Robeco deems investing in government bonds (federal or local) of countries where serious violations of human rights or a collapse of the governance structure take place as unsustainable. In addition, Robeco will follow applicable sanctions of the UN, EU or US to which it is subject and follows any mandatory (investment) restrictions deriving therefrom.

To identify these countries we use data from: 1. World Bank: World Governance Index (WGI) on Political Stability and Absence of Violence/Terrorism. 2. Freedom House: Freedom in the World (FIW) index on Political rights and civil liberties. 3. Fund for Peace: Fragile States Index (FSI). 4. International sanctions.

### 3. Implementation

#### Scope of the policy

- A. For company exclusions all company-related listed investment instruments (e.g. equity, equity derivatives and corporate bonds) are in scope.
- B. For controversial behavior company cases a comply or explain principle applies. The ExCo member responsible for Investments of Robeco may on product specific grounds on a case by case basis grant exceptions for specific investment products.
- C. For discretionary mandates and client specific funds, Robeco will only apply restrictions following applicable sanctions, rules and regulations. In addition Robeco can apply further restrictions and/or implement any exclusion list if agreed with a client.
- D. With respect to third party funds and trackers within a Robeco fund-of-fund product a minimum threshold is applicable of 5% per holding of total assets for the Robeco exclusion policy to apply.
- E. With respect to investments into third party private equity funds, Robeco Private Equity will determine - in close cooperation with the managers of these funds – how the Robeco Exclusion Policy can best be incorporated in the investment policy of these funds.
- F. If company A is partially owned by company B and company B is involved in controversial behavior, controversial weapons or tobacco, Robeco will not exclude company A.
- G. The thresholds used for controversial behavior, controversial weapons are 0% and for ownership 50%. The thresholds used for tobacco producers are 0%, for suppliers 50% and for ownership 50%.
- H. If the excluded bonds are part of a benchmark of a fund that we manage, we allow portfolio managers to mimic the currency exposure of that country up to the benchmark level.

#### Governance of the policy

The ExCo of RIAM decides on the implementation and/or changes of the exclusion policy.

The SISC committee of Robeco, decides on the additions and/or deletions of the exclusion list.

#### Implementation period

Unless sanctions stipulate specific timelines exclusions apply within three month after the announcement. Possible exceptions on product specific grounds with respect to controversial behavior exclusions are decided within this month.

Robeco announced on March 7, 2018 to exclude investments in tobacco from its funds. The process of excluding tobacco will be completed by the end of Q3 2018.

#### Transparency

Robeco is transparent with regard to the excluded companies and countries. The exclusion policy and an up to date list (annex 2) of excluded companies and countries are available on Robeco's website.

The data on companies and countries taken into account when establishing the list of excluded companies and countries are provided by three external data providers, as well as data on international sanctions.

#### Practical guidelines are used when implementing the policy

- Robeco's first and main responsibility is to serve the interests of its clients to the best of its ability.
- Exclusion of companies from Robeco's investment funds as a result of the exclusion policy are not expected to significantly alter the risk-return profile of these funds. Therefore the securities on the list of excluded companies that are removed from Robeco's investment funds will not be excluded from the benchmarks against which these funds are managed.
- The list of excluded companies does not apply to index derivatives or to proprietary index construction.
- Excluded companies will be reviewed on a regular basis to check if relevant changes have been made to the company's activities or behavior. A review of such changes may lead to the exclusion being lifted.

# United Nations Global Compact 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.

## Annex 2

### Excluded companies:

#### A. Controversial Behavior:

1. Norilsk Nickel
2. Oil and Natural Gas Corporation (ONGC)<sup>1</sup>

#### B. Controversial Weapons:

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|----------------------------|-------------------------------|
| 1. Hanwha Corp.            | cluster munition <sup>2</sup> |
| 2. Northrop Grumman        | depleted uranium              |
| 3. Poongsan Corp.          | cluster munition <sup>2</sup> |
| 4. S&T Dynamics Corp.      | anti-personnel mines          |
| 5. Walchandnagar           | nuclear weapons               |
| 6. Aerojet                 | depleted uranium              |
| 7. General Dynamics        | depleted uranium              |
| 8. Premier Explosives      | nuclear weapons               |
| 9. Larsen & Toubro         | nuclear weapons               |
| 10. Tata Power Company Ltd | nuclear weapons               |

#### C. Tobacco <sup>3</sup>: (The process of excluding tobacco will be completed by the end of Q3 2018)

- | Company Name  |          |
|---|----------|
| 1. Altria Group Inc.  | producer |
| 2. B.A.T Capital Corporation                                | producer |
| 3. B.A.T. International Finance p.l.c.                      | producer |
| 4. British American Tobacco (Malaysia) Berhad               | producer |
| 5. British American Tobacco Chile Operaciones S.A.          | producer |
| 6. British American Tobacco Holdings (The Netherlands) B.V. | producer |
| 7. British American Tobacco p.l.c.                          | producer |
| 8. Eastern Company  | producer |
| 9. Godfrey Phillips India Limited                           | producer |
| 10. Imperial Brands Finance PLC                             | producer |
| 11. Imperial Brands PLC                                     | producer |
| 12. ITC Limited   | producer |
| 13. Japan Tobacco Inc.                                      | producer |
| 14. KT&G Corporation  | producer |
| 15. IT Group, Inc.  | producer |
| 16. Philip Morris International Inc.                        | producer |
| 17. PT Gudang Garam Tbk                                     | producer |
| 18. PT Hanjaya Mandala Sampoerna Tbk                        | producer |
| 19. Reinet Investments SCA                                  | producer |

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| 20. Reynolds American Inc.                 | producer |
| 21. Shanghai Industrial Holdings Limited   | producer |
| 22. Souza Cruz SA                          | producer |
| 23. Swedish Match AB (publ)                | producer |
| 24. Turning Point Brands, Inc.             | producer |
| 25. Vector Group Ltd.                      | producer |
| 26. Alliance One International, Inc.       | supplier |
| 27. Huabao International Holdings Ltd.     | supplier |
| 28. Schweitzer-Mauduit International, Inc. | supplier |
| 29. Universal Corporation                  | supplier |

#### Excluded Countries/Sovereign debt:

1. Afghanistan
2. Central African Republic
3. Congo (Kinshasa)
4. Eritrea
5. Iraq
6. Libya
7. North Korea
8. Somalia
9. South Sudan
10. Sudan
11. Syria
12. Yemen
13. Zimbabwe

<sup>1</sup>) In line with item 3.B. of the Robeco Exclusion Policy an exception has been granted on product specific grounds to Robeco CGF Indian Equities to not exclude this company.

<sup>2</sup>) In line with art. 21 a 'Besluit marktmisbruik' of the Dutch act on Financial Supervision.

<sup>3</sup>) In line with item 3.B. of the Robeco Exclusion Policy an exception has been granted on product specific grounds to Robeco QI Customized Enhanced Index Equities to not exclude these companies.

The publication of this list of excluded companies is for information purposes only. This list of excluded companies may be used by Robeco only as described in more detail in Robeco's Exclusion Policy. By putting a company on this list Robeco is not giving any general recommendation or investment advice not to invest in such company to any third party (i.e. any party which is not (1) a client of Robeco Direct or (2) a subsidiary or fund family of Robeco which applies Robeco's Exclusion Policy). Third parties should make their own judgement on whether or not to invest in these companies. Robeco accepts no responsibility whatsoever for any improper use of the information contained in the list of excluded companies or any action taken as a result thereof and disclaims all liability in respect of such improper use.