

# Controversial Activity Exclusion Policy

Candriam Sustainable Global Equity Fund

Ausbil Investment Management Limited  
ABN 26 076 316 473  
AFSL 229722  
Level 27  
225 George Street  
Sydney NSW 2000  
GPO Box 2525  
Sydney NSW 2001  
Phone 61 2 9259 0200

Candriam has been appointed by Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) to manage the investments of the Candriam Sustainable Global Equity Fund (ARSN 111 733 898) (**Fund**).

As part of Candriam's ESG analysis, Candriam's controversial activity screening process aims to assess a company's involvement in controversial activities in order to determine the eligibility for inclusion of a company in the Fund. This Policy covers Candriam's approach towards the armaments industry, adult content media, alcohol, gambling, genetic modifications, nuclear power, animal testing, activities

exercised in oppressive regimes, tobacco, thermal coal, electricity generation and conventional & unconventional oil & gas extraction.

## Summary of the Fund's Controversial Activity Exclusions and Material Thresholds

The table below sets out each controversial activity's exclusion material threshold/approach, ie the level at which a company is excluded from the Fund's investible universe and therefore the Fund cannot invest in that company.

Controversial Activity	Description	Material Threshold <sup>1</sup>
<b>Armaments industry</b>	Production of controversial weapon, such as nuclear weapons, anti-personnel landmines, cluster bombs, depleted uranium, chemical weapons, biological weapons, white phosphorous weapons.	<ul style="list-style-type: none"> <li>Greater than 0% of revenue.</li> </ul>
<b>Adult content media</b>	Content that delivers material not appropriate for all audiences, ie that which appeals to primary violence drivers or provides explicit portrayals of sexual subject matter.	<ul style="list-style-type: none"> <li>Greater than 5% of revenue.</li> </ul>
<b>Alcohol</b>	Manufacture or sale of alcoholic products.	<ul style="list-style-type: none"> <li>Greater than 10% of revenue.</li> </ul>
<b>Gambling</b>	Gambling or the manufacturing of gambling products.	<ul style="list-style-type: none"> <li>Greater than 5% of revenue.</li> </ul>
<b>Genetic modifications</b>	Assessment of genetic modifications is based on exposure to genetically modified organisms ( <b>GMO</b> ), the existence of a responsible policy and compliance with international conventions on GMOs.	<ul style="list-style-type: none"> <li>Greater than 10% of revenue from GMO activities without the presence of an applicable responsible policy; or</li> <li>Subject to significant, systematic and repeated breaches of international conventions regarding GMOs.</li> </ul>
<b>Nuclear power</b>	Extraction, conversion and enrichment of uranium to produce nuclear fuel, the irradiation of the fuel in a nuclear reactor and/or the reprocessing/disposal of spent nuclear fuel and other nuclear waste.	<ul style="list-style-type: none"> <li>Developed markets greater than 30% of revenue.</li> <li>Emerging markets greater 5% of revenue.</li> </ul>
<b>Animal testing</b>	Performing animal tests on products for which: <ul style="list-style-type: none"> <li>there is no legal obligation and the company has no responsible policy which comprehensively addresses and complies with the principles of Replacement, Reduction and Refinement; or</li> <li>animal testing is prohibited.</li> </ul>	<ul style="list-style-type: none"> <li>Exclude all companies with no responsible policy and no legal requirement to test.</li> </ul>
<b>Activities exercised in oppressive regimes</b>	Countries in which human rights are severely breached on a regular basis, fundamental liberties are systematically denied and the security of people is not guaranteed due to government failure and systematic ethical breaches.	<ul style="list-style-type: none"> <li>Data provided by external sources, such as the Freedom House's Freedom in the World Index, the World Bank Governance Indicators, and the Economist Intelligence Unit's Democracy Index, are utilised to inform Candriam's qualitative review of non-democratic countries.</li> </ul>

The Candriam Sustainable Global Equity Fund has been certified by the Responsible Investment Association Australasia (RIAA) according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See [www.responsiblereturns.com.au](http://www.responsiblereturns.com.au) for details. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

Controversial Activity	Description	Material Threshold <sup>1</sup>
<b>Tobacco</b>	Production of tobacco and tobacco-based products and the manufacture of nicotine alternatives.	<ul style="list-style-type: none"> <li>Greater than 0% of revenue.</li> </ul>
<b>Thermal coal</b>	Extraction of thermal coal or power generation from thermal coal.	<ul style="list-style-type: none"> <li>Greater than 10% of revenue.</li> <li>Greater than 0% of revenue for new projects.</li> </ul>
<b>Electricity generation</b>	Generation of electricity producing greenhouse gasses.	<ul style="list-style-type: none"> <li>Companies with new coal or nuclear-based projects.</li> <li>Carbon intensity not aligned with a 2°C trajectory.</li> <li>If data is not available on Carbon Intensity:                             <ul style="list-style-type: none"> <li>No Paris-aligned commitment.</li> <li>Companies without new sustainable energy-based project.</li> </ul> </li> </ul>
<b>Unconventional &amp; Conventional oil &amp; gas extraction</b>	<p><b>Unconventional oil &amp; gas extraction:</b> the extraction of tar/oil sands, shale gas/oil, tight gas/oil, coalbed methane and Arctic drilling.</p> <p><b>Conventional oil &amp; gas extraction:</b> includes conventional oil and conventional natural gas.</p>	<ul style="list-style-type: none"> <li>Greater than 5% of revenue.</li> <li>Companies developing new projects related to unconventional oil &amp; gas activities.</li> </ul>

1. Revenue is generally a company's reported sales revenue or, if it is not available, then another reasonable measure or estimate of sales revenue is used.

## Evaluation process and implementation

Candriam's research and evaluation process encompasses three main steps.

### 1. Identification of Company Involvement in Controversial Activities

Candriam conducts in-house analysis to identify company involvement in controversial activities. Candriam use various sources to conduct their analysis including information provided by external research providers, media sources and non-government organisations (NGOs) to verify the involvement of companies.

### 2. Assessment of Company Involvement in Controversial Activities

Company involvement in any identified area of controversial activity is assessed on a number of parameters covering the following variables:

- **Type of Involvement:** for each company analysed, the type of involvement (direct or indirect) is considered (eg, owners and operators, manufacturers/producers, retailers/providers, provision of supporting products or services);
- **Level of Involvement:** based on the material threshold approach applied to every type of controversial activity, any revenues derived from, or the production capacities of, such activities are generally used as the main indicator of involvement;
- **Responsible Policy:** for some controversial activities, in addition to the type and level of involvement, it is also important to consider how the company approaches and considers its potentially contentious activities. Therefore the presence (or absence) of a relevant and targeted responsible policy that acknowledges the company's involvement in an activity, as well as the existence of systems and practices undertaken to ensure that it operates in a responsible manner, are crucial elements in the assessment.

### 3. Determination of the excluded companies

- The objective of the final step in the process is for Candriam to determine, based on type of involvement, the level of involvement and the responsible policy, on the appropriateness of company's involvement in one or more controversial activities.
- Companies that exceed the acceptable levels and/or material thresholds will be excluded from the Fund's investible universe.

### Norms-based analysis

Candriam also conducts a norms-based examination of companies in order to determine whether companies comply with the principles of the United Nations Global Compact (UNGC).

These principles cover four main categories:

1. Human rights,
2. Labour rights,
3. Environment
4. Anti-corruption.

The examination is designed to filter out companies that have significantly and repeatedly breached one of the principles of the UNGC without acknowledging its responsibility of wrongdoing and without taking corrective actions.

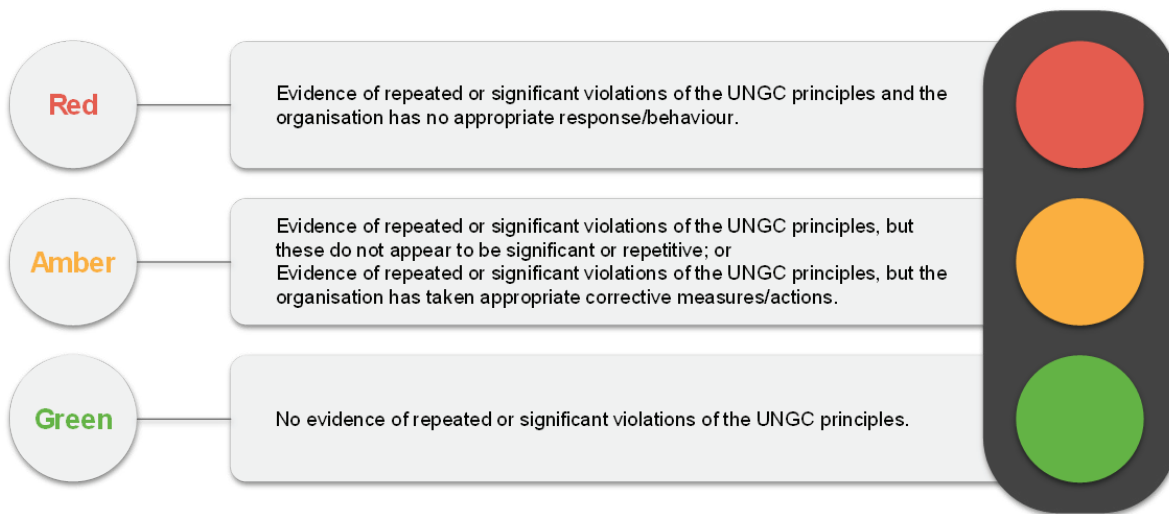
Information regarding current, suspected and/or related incidents or breaches of international standards are collected through external research combined with internal analyses performed by our ESG analysts.

Subsequent to the identification of any breaches of the Global Compact principles, the analysis uses several parameters to evaluate the severity and magnitude of the breaches:

- **Temporal proximity:** when did the incident happen and how long did it last?
- **Magnitude:** what financial costs and environmental damage are related to the incident?
- **Credibility:** does the incident involve allegations, legal proceedings, etc?
- **Recurrence:** is this a one-off incident or is there proof of repeated incidents over a given period?

Emphasis is also placed on a company's response when an incident occurs. A company that takes positive, responsible measures to ensure that future breaches do not occur is considered more favourably than a company that does not acknowledge its responsibility and/or does not take any corrective measures.

Based on this information and in accordance with the evaluation framework described above, a company is allocated a Green, Amber or Red colour in each of the four main categories, human rights, labour rights, environment and anti-corruption, based on the framework set out in the table below.



In order to successfully pass the norms-based analysis filter, issuers must not have been attributed "Red" in any of the four main categories.

Unless otherwise specified, any information contained in this document is current as at the date of this report and is prepared by Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) (**Ausbil**). Ausbil is the issuer of the Candriam Sustainable Global Equity Fund (ARSN 111 733 898) (**Fund**). Candriam is the investment manager of the Fund. This document contains general information only and the information provided is factual only and does not constitute financial product advice. It does not take account of your individual objectives, financial situation or needs. Before acting on it, you should seek independent financial and tax advice about its appropriateness to your objectives, financial situation and needs. Securities and sectors mentioned in this monthly report are presented to illustrate companies and sectors in which the Fund has invested and should not be considered a recommendation to purchase, sell or hold any particular security. Holdings are subject to change daily. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Past performance is not a reliable indicator of future performance. Unless otherwise stated, performance figures are calculated net of fees and assume distributions are reinvested. Due to rounding the figures in the holdings, breakdowns may not add up to 100%. No guarantee or warranty is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained herein (any of which may change without notice) and should not be relied upon as a representation express or implied as to any future or current matter. You should consider the Product Disclosure Statement which is available at [www.ausbil.com.au](http://www.ausbil.com.au) and the target market determination which is available at [www.ausbil.com.au/invest-with-us/design-and-distribution-obligations/fund-tmds](http://www.ausbil.com.au/invest-with-us/design-and-distribution-obligations/fund-tmds) before acquiring or investing in the fund.