

# EXCLUSION POLICY

## RELATIVE TO SRI FUNDS COMMERCIALIZED IN BELGIUM

SEPTEMBER 2019

In line with DNCA's Responsible Investment strategy, we have decided to exclude a certain number of sectors and activities that are not compatible with our SRI funds' approach.

We exclude from the eligible universe of our SRI funds commercialized in Belgium, the following sectors/activities and companies:

- Ⓢ Tobacco production;
- Ⓢ Weapons production;
- Ⓢ Coal extraction and use in power generation;
- Ⓢ Nuclear energy;
- Ⓢ Production of oil and gas (conventional and unconventional);
- Ⓢ Companies in severe breach to the Principles of the UN Global Compact.

Relevant screens with specific thresholds have been developed in our ABA research tool. The analysis is conducted internally, with the help of external sources such as MSCI.

### SECTOR/ACTIVITY-RELATED EXCLUSIONS

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- Ⓢ Tobacco production: we strictly exclude any company that produces tobacco or tobacco-related products (>0% of revenues);
- Ⓢ Weapons production: we strictly exclude any company that derives over 10% of its revenues from the production of weapons;
- Ⓢ Coal extraction: we strictly exclude any company that extract thermal coal (>0% of revenues), that derives over 10% of revenues from the extraction of metallurgical coal;
- Ⓢ Oil & Gas: we strictly exclude any company that generates over 10% of revenues from the extraction or refining of conventional and unconventional oil and gas;
- Ⓢ Coal based power generation: we exclude companies that derives over 10% of their revenues from the production of electricity based on coal\*;
- Ⓢ Nuclear based power generation: we exclude companies that derives over 30% of revenues from the production of electricity based on nuclear\*.

### COMPANY-RELATED EXCLUSIONS

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- Ⓢ Severe breaches to the UN Global Compact.

We have incorporated in our Responsible Investment approach the Ten Principles of the UN Global Compact as minimum standards that all companies should abide by. As such, companies that are deemed in severe breach to the UNGC are excluded from our SRI eligible universe.

\*Companies that derive over 10% of their revenues from coal-based power production or 30% of their revenues from nuclear-based power generation cannot represent altogether more than 5% of any SRI fund, and only if they have put in place a relevant strategy to transition towards greener sources of energy.

## The Ten Principles of the UN Global Compact

The 10 Principles to the UN Global Compact, defined in 2000, are considered a set of minimum standards that all companies across the world should abide by in order to conduct their business responsibly and limit potential negative impacts on their stakeholders. They are divided into 4 pillars: Human Rights, Labour, Environment and Anti-Corruption.

### – HUMAN RIGHTS

**Principle 1:** businesses should support and respect the protection of internationally proclaimed human rights.

**Principle 2:** businesses should make sure that 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.

**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 initiative to promote greater environmental responsibility.

**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.

## Analysis & Monitoring

As part of our continuous monitoring of controversies, we conduct an assessment on each controversy in order to determine the severity and consequences on the company and its stakeholders. Each controversy is rated on a scale from 0 to 3, 3 being the most severe. Depending on the company's behaviour, level of responsibility and response to the incident, a controversy that has been rated level 3 can be considered a severe breach to the UN Global Compact Principles. This assessment is conducted by the Responsible Investment team and recorded in the ABA tool. Companies that are considered to be severely breaching the Principles of the UNGC are excluded from the SRI eligible universe.

## Febelfin label

This policy is aligned with the requirements of the Belgian "Toward Sustainability" label, also called Febelfin label, and will integrate any future evolution of the label.



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