

ASN Bank: Special Investment Criteria

20 April 2007

Special investment criteria

The special investment criteria and the approach that is to be adopted in relation to them represent an elaboration of ASN Bank's mission and business principles. They apply in full to ASN Aandelenfonds, ASN Obligatiefonds, ASN Mix-fonds, ASN Small & Midcap Fonds and ASN Bank's investments with the exception of commercial loans. Given their nature, ASN Milieu & Waterfonds and ASN Bank's commercial loans are subject to the exclusion criteria at the very least. The Green Project Regulations [*Regeling Groenprojecten*] apply to ASN Groenprojectenfonds. The 2005 Socially Ethical Project Regulations [*Regeling Sociaal-Ethische Projecten*] apply to the ASN-Novib Fund.

The ASN Bank's special investment criteria consist of exclusion and acceptance criteria. The exclusion criteria are absolute conditions, which investments¹ have to satisfy. Investments also have to meet the acceptance criteria, but the latter are relative: only those investments which are amongst the best in their category or industry are included based on the acceptance criteria. A distinction is also drawn between exclusion and acceptance criteria in the case of countries² and companies, and between human rights and environmental criteria.

ASN Bank does not believe it is possible to draw up a comprehensive list of ethical and sustainable criteria, which investments have to meet. As well as specific criteria, which yield a factual and quantitative assessment as part of the analysis, a qualitative judgement will also always be made in relation to ethics and whether a contribution is made towards sustainable development.

1 Exclusion criteria

As the case arises the ASN Selection Committee³ will decide in favour of a temporary or permanent exclusion, if in its opinion there is no compliance with ASN Bank's mission and business principles.

1.1 Human rights

In its activities and area of influence ASN Bank will ensure that human rights as set out in national and international law are respected, protected and promoted. To this end we apply exclusion and acceptance criteria in relation to countries and companies.

1.1.1 Underlying principle in the case of countries

In the case of countries the underlying principle is that they will be excluded, if they are responsible for serious violations of human rights based on the Universal Declaration of Human Rights and the international human rights standards which are derived from it.

Consequently, any countries that are responsible for the following serious violations of international law will be excluded:

- torture;
- genocide;
- crimes against humanity;
- war crimes.

1.1.2 Underlying principle in the case of companies

In the case of companies the underlying principle is that they will be excluded, if they do not respect human rights in all of the countries in which they are active⁴ based on the Universal Declaration of

¹ "Investments" is used as a collective term which includes shares, bonds (government and otherwise), business and other loans, and other debts owed to ASN Bank.

² In the case of countries "investments" refers mainly to government bonds. Consequently, it does not refer to investments in companies which may operate in those countries.

³ The ASN Selection Committee consists at any rate of the Board of Directors of ASN Bank NV and the Board of Directors of ASN Beleggingfondsen NV.

Human Rights and any human rights standards derived from it which relate to the relevant company's operations and sphere of influence.⁵

Consequently, those companies which are systematically guilty of the following violations of human rights will be excluded:

equality of opportunity

- companies which do not guarantee equal opportunity and non-discrimination;

arms and security

- companies engaged in or benefiting from war crimes, or the manufacture or trade in arms. Consequently, this also means that ASN Bank will refrain from providing any form of funding for or from investing in companies which are active in the development, manufacture, distribution or trade in arms. "Arms" refers to all types of conventional weapons, ammunition, parts, supporting technologies and associated expertise. For a precise definition of "arms" ASN Bank uses the Common Military List of the European Union, which the latter has drawn up. This list contains a wide-ranging summary of arms, parts and chemicals as well as ICT products and services. ASN Bank will also exclude companies that manufacture products which are primarily used in armaments in addition to having a civil application;⁶
- companies whose corporate security practices do not respect human rights;

children

- companies which do not offer safeguards against the exploitation of children;

employees

- companies using forced labour;
- companies which do not provide safe, healthy working conditions or which are involved in sexual exploitation and/or the commercial exploitation of pornography;
- companies which do not pay fair and proper wages;
- companies which do not respect freedom for trade unions;

national sovereignty and human rights

- companies which do not respect national sovereignty and human rights in that they fail to comply with legislation;
- companies involved in corruption;
- companies whose business operations have a deleterious effect on health or living conditions, or increase poverty;
- companies which violate social, cultural and economic rights;

consumers

- companies which supply products that are unsafe, of inferior quality or harmful, such as tobacco, gambling or games of chance;

environmental protection

- companies which do not protect the environment in that they fail to act in accordance with national and international guidelines and legislation.

1.2 The environment

1.2.1 Underlying principle in the case of countries

Countries will be excluded, if they do not actively help to protect the environment in that they rate poorly in reputable environmental indices.

1.2.2 Underlying principle in the case of companies

The starting point for companies is that they will be excluded if they are involved in the following activities:

nuclear energy

4 Here ASN Bank is referring to the criteria set out in *The Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with regard to Human Rights* of 2003.

5 A company's operations and sphere of influence refer to the company itself, the parts of the supply chain in which it operates, and wherever it is capable of exerting any influence.

6 The term, "dual-use", is used to describe these products.

- companies which generate nuclear energy, operate nuclear power stations, or distribute or trade in nuclear products;
- companies which focus specifically on supplying this industry;

genetic engineering

- companies that apply genetic engineering to plants or animals in the food or non-food sector;
- companies that apply genetic engineering to plants or animals for medicinal and pharmaceutical purposes will be excluded unless a medical problem can only be remedied at the time of screening by using genetically modified plants and/or animals. This exception will only apply if genetic engineering is used in controlled conditions which limit the risks to people and the environment as far as possible;

fur, whaling, exotic and/or protected animal species

- companies are directly involved in hunting and/or trading in:
 - o fur;
 - o whales;
 - o exotic and/or protected animal species;

tropical hardwoods

- companies active in felling and/or trading in non-sustainable tropical hardwoods;

palm oil

- companies setting up or running non-sustainable palm-oil plantations;

bio-industry

- companies engaging in bio-industry operations which are hostile to animals;
- companies which focus on developing and maintaining an animal-hostile bio-industry in their capacity as suppliers;

animal testing

- companies which use animal testing to develop non-medical products;
- companies which are required to use animal testing by law for medicinal production, but which do not have a transparent policy on this and are not developing alternatives;

supply chain responsibility

- companies which do not acknowledge any supply chain responsibility for the environment;
- companies which are not transparent or do not show a willingness to be accountable for their supply chain responsibility.

2. Acceptance criteria

Companies' operations are assessed in relation to sustainable development on the basis of dozens of economic, social and environmental indicators which are specific to them and their industry as far as possible. These specific environmental and social indicators are regularly updated in response to experience and new insights. Depending on the nature of the business or industry, the following criteria will at any rate serve as conditions for deciding whether or not a business or other debtor should be admitted into the bank's investment pool.

2.1 Human rights

2.1.1. Underlying principle in the case of countries

Countries need to make an active contribution towards respecting, protecting and promoting human rights as defined by the Universal Declaration of Human Rights by being amongst the better ones featuring in recognised human rights indices.

2.1.2 Underlying principle in the case of companies

Companies will earn a positive evaluation if they make an active contribution towards protecting and promoting human rights as defined by the Universal Declaration of Human Rights insofar as it relates to their activities and sphere of influence, by:

- implementing standards in internal policies, codes of conduct and contracts;
- arranging for the internal and external monitoring and verification of compliance with standards.

- ensuring the presence of a policy and mechanism to compensate victims whose human rights may have been violated.

2.2 The environment

2.2.1 Underlying principle in the case of countries

Countries need to make an active contribution towards protecting the environment by being amongst the better ones featuring in recognised environmental indices.

2.2.2 Underlying principle in the case of companies

Environment

- Companies must demonstrate that they pursue an active, comprehensive environmental policy. In concrete terms the following factors will be assessed: the nature of the raw materials used and of their end products, their energy consumption, their use of clean water, the nature of the emissions they release, the solid waste resulting from production, the scope for recycling their end products and the extent to which this occurs. When assessing a company consideration will not only be given to the prevailing environmental conditions but also to the approach adopted by and within the company to bring about change and improvement in this respect.

Genetic engineering

- Companies must declare whether they apply genetic engineering and if so, how. Those businesses which use this technology must be able to show that they have a transparent policy on genetic engineering. The application of genetic engineering to micro-organisms will be considered acceptable, provided that it is done under controlled conditions which limit the risks to people and the environment as far as possible, and provided that a demonstrable contribution is made towards sustainable development or business operations.

3. Investment analysis methodology

3.1 Business analysis

A business' sustainability performance is analysed by specialists. As far as possible this analysis is conducted at the industry level and by region. In principle, only those companies which perform best in each industry will be eligible for selection. Those companies which are not included in these sectoral studies may be eligible on the basis of individual performance and the example which they set in relation to corporate social responsibility. Sectoral studies and individual business profiles are submitted to the ASN Selection Committee for its assessment.

3.2 Country analysis

A country's sustainability performance is analysed by specialists. In principle, only those countries which perform best are eligible for selection. The availability of reliable data and debt instruments also play a role in the selection. Country studies and individual country profiles are submitted to the ASN Selection Committee for its assessment.

3.3 Analysis of other investments

All other investments are at least assessed against the bank's exclusion criteria and business principles.

3.4 Investment pool

Changes in the bank's investment pool⁷ are made by the ASN Selection Committee.

- In addition to their relative performance at the industry level, the ASN Selection Committee assesses companies mainly in relation to ASN's exclusion and acceptance criteria. In practice, this means that the company which performs best in each sector will not automatically be regarded as good enough to be included in the bank's investment pool. Its absolute performance must at least

⁷ The ASN Investment pool consists of companies, countries and other debtors that are eligible for investment based on sustainability performance.

satisfy the above-mentioned criteria. In all cases the ASN Selection Committee will also assess whether the activities of the company or other debtor contribute towards ASN Bank's mission.

- Those companies and countries which make up the bank's investment pool are reanalysed at least once every 36 months or more often if necessary.
- Without requiring a sectoral analysis, the ASN Selection Committee may include individual companies and other debtors that demonstrate exceptional performance on environmental and social policy, human rights, animal welfare or child labour (and thus act as an example to others) in the bank's investment pool.