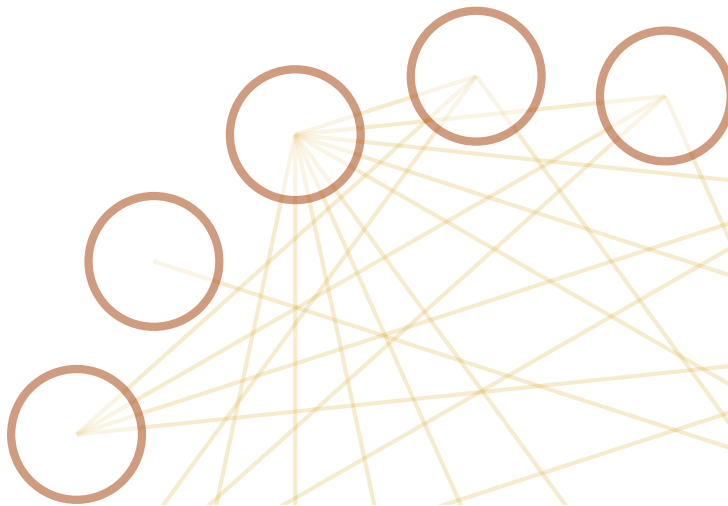




Sustainability Committee

Foxberry Ltd
10th September, 2019



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1 Introduction

1.1 About us

Foxberry Ltd (“**Foxberry**”, “**we**”, “**us**”, “**our**”) is authorised and regulated by the Financial Conduct Authority (the “**FCA**”) (number 677250). Foxberry Ltd is incorporated in England and Wales (number 09278597), with its registered office address at Level 39, One Canada Square, Canary Wharf, London, E14 5AB, United Kingdom.

1.2 This document

This document comprises the details of the operation and the procedures of the Foxberry Sustainability Committee (the “**Sustainability Committee**”).

- Chapter 2 gives some background on sustainability investing, and how the Sustainability Committee differentiates itself
- Chapter 3 details the terms of reference for the Sustainability Committee
- Chapter 4 details the Determinations that the Sustainability Committee makes on an ongoing basis

2 Background

2.1 Sustainability investing

2.1.1 Introduction

Sustainability investing refers to screening potential investment opportunities by taking into account factors such as: environmental, social and corporate governance. One of the major reasons of sustainability investing is so called “**Impact Investing**”: by allocating assets into companies who score high on sustainability factors, companies are incentivised to improve their sustainability ratings. Sector exclusions, often referred to as ethical filters, are often included as well.

2.1.2 Sustainability research providers

There are many providers of sustainability data. Typically, such providers have a number of analysts that score the companies based on its performance against a number of sustainability criteria. The ratings between different sustainability data providers may vary widely depending on its processes, and indices based on such data providers risk becoming slow in adapting to changes in the sustainability landscape. At the same time, certain asset owners today have invested and developed a vast amount of in-house sustainability expertise which is not having the maximum impact in the investment community.

2.1.3 The Sustainability Committee approach

This Sustainability Committee takes a different approach: using the combined expertise of the Sustainability Committee, stakeholders arrive at a consensus. The aim of this approach is to increase the impact by unlocking the sustainability expertise among the asset owner community, and to create a consensus which is able to develop in line with changing markets.

3 Terms of Reference

3.1 Introduction

This chapter details the **Terms of Reference** for the Sustainability Committee.

3.2 Scope

The Sustainability Committee:

- handles issues around sustainability matters, including but not limited to:
 - (i) environmental issues;
 - (ii) governance issues;
 - (iii) sustainability issues;
 - (iv) UN sustainable development goals;
 - (v) ongoing controversies;
 - (vi) norms-based standards, which are minimum standards of business practice based on international norms (“**Norms-based Standards**”);
 - (vii) equality issues; *and*
 - (viii) ethical considerationseach a “**Sustainability Matter**”.
- contains stakeholders as members with sufficient expertise in the Sustainability Matter.
- makes determinations including blacklists and whitelists of stocks (each a **Determination**); *and*
- may issue public statements and opinions on current matters;

3.3 Purpose

The Sustainability Committee applies a consensus process to:

- create Determinations that can appeal to a large client base, and therefore increase its potential impact;
- enable a dynamic investment process that can respond to new sustainability considerations and evolve in line with changing markets, including sustainability and sector based activities; *and*
- be able to have an impact where the data from sustainability research providers is sporadic, erratic, spurious and/or limited in quality or scope.

3.4 Aims

When making a Determination, the Sustainability Committee will take into account the following aims:

- adhering to the relevant guidelines;
- an expected positive potential impact of the Determination;
- ensuring investability of a Determination; *and*
- the integrity of the Determination;

As specified in section 4.2, the Sustainability Committee retains discretion.

The Chairman shall ensure the proper and independent functioning of the Sustainability Committee.

3.5 Members

Members of the committee **Member** can join the committee either on an individual basis (an “**Individual Member**”) or on an organisational basis (an “**Organisational Member**”). An Organisational Member have an individual who is normally representing the organisation (the “**Ordinary Representative**”), but may change the Ordinary Representative or send a substitute (“**Substitute member**”), as agreed with the Chairman.

As of the date of this document, the Sustainability Committee consists of the following members:

- **Chairman:** David Sahlin, Foxberry Ltd
- Tomas Franzen, Senior advisor at Foxberry Ltd

- Gustaf Hagerud, Senior advisor at Foxberry Ltd
- Varma Mutual Pension Insurance Company, with Ordinary Representative: Vesa Syrjäläinen, Responsible Investment Analyst
- Legal & General Investment Management, with Ordinary Representative: Caroline Ramscar, Head of Sustainability Solutions

The Chairman is appointed by the Index Committee which can at any time remove him from office as Chairman or appoint a new Chairman.

The Chairman may remove a Member from the Sustainability Committee.

3.6 New committee members

The Chairman may invite a stakeholder to join the Sustainability Committee if:

- they have demonstrated sufficient expertise in the Sustainability Matter; *and/or*
- they have demonstrated a commitment to the Sustainability Matter, including allocating capital using Impact Investing.

A member can be invited to join either as an individual or as representing an organisation.

3.7 Attendees

Non-members may be invited to attend the meetings on an advisory basis at the Chairman's discretion.

3.8 Resignation

A Sustainability Committee member may resign from the Sustainability Committee by informing the Chairman.

3.9 Regulatory hierarchy

The Sustainability Committee is a committee owned and operated by Foxberry. To ensure regulatory compliance, the Sustainability Committee reports to the **Index Committee**, an internal committee established at Foxberry for the purpose of providing governance and internal oversight in respect of all aspects of Foxberry's activities as a benchmark administrator.

3.10 Independence

The Sustainability Committee is operated independently from any derived products referencing the Determinations made by the Sustainability Committee. Therefore, the Sustainability Committee does not endorse any derived product and is not obliged to take into account the consequences of any users of such products.

3.11 Quorum

Quorum for the Sustainability Committee is the Chairman and ordinarily a simple majority of its members, but special circumstances allow for a quorum of the Chairman and another member. These special circumstances (the “**Special Circumstances**”) are:

- a Member or Ordinary Representative being incapacitated;
- a Member or Ordinary Representative being held hostage;
- a Member or Ordinary Representative being imprisoned in a foreign country;
- a Member or Ordinary Representative having gone mysteriously missing; *or*
- a Member or Ordinary Representative being, on request by another member, unable or unwilling to suggest a date and time for a Sustainability Committee meeting, or failing to join such meeting, within one month from such a request.

3.12 Voting

To approve a decision a majority vote is required. Members may choose to abstain from voting.

3.13 Frequency

The Chairman is responsible for ensuring that the Sustainability Committee meets at least four times a year.

Additional ad-hoc meetings can be called as deemed necessary by the Chairman.

3.14 Format

In addition to an ordinary physical meeting, a Sustainability Committee meeting or vote may take place wholly or partly by telephone, video conferencing and/or email/electronically.

3.15 Minutes

Minutes of the ordinary Sustainability Committee meetings (the “**Minutes**”) shall be produced and form part of the firm’s audit trail to provide evidence of compliance with relevant law and regulation.

The minutes are confidential, but shall be available on request to auditors and any relevant regulatory authority. Foxberry owns any minutes and all rights to Determinations and is responsible for ensuring that this data is treated in a regulatory compliant fashion.

The Chairman is accountable for ensuring that adequate Minutes are produced.

3.16 Amendments

The Sustainability Committee is able to make its Determinations independently, but to ensure regulatory compliance, changes to the Terms of Reference are decided by the Index Committee.

3.17 Conflicts of interests

Foxberry has a “**Conflict of Interest Policy**” to prevent, manage and mitigate conflict of interests.

Whilst it is acknowledged that Members may have positions in the underlying being discussed in the Sustainability Committee, and for which the Sustainability Committee may make a decision to include or exclude in a specific Determination, any real or perceived conflicts of interests need to be managed carefully.

Conflicts of interests will therefore be standing point on the agenda of the meetings of the Sustainability Committee. Each Member shall act with the highest level of integrity. To mitigate potential conflicts of interest and preserve the integrity of the Sustainability Committee, a Member may abstain from voting. If it comes to the attention of the Sustainability Committee, that a Member may not have managed relevant conflict of interests prudently, the Chairman may remove a Member from the Sustainability Committee.

Below is a non-exhaustive list of situations where a Member would be breaching the principle of integrity:

- Investing or de-investing into securities on the expectation of a certain outcome in the Sustainability Committee;
- Invest or de-investing into securities in the period between a determination being made and such a Determination being disclosed, unless such action is taken on arm's length basis independent of the Determination; *and*
- Accept a payment to vote to include a company on a whitelist, or to remove it from a blacklist;

4 Determinations

4.1 Introduction

This chapter details the Determinations that the Sustainability Committee makes on an ongoing basis.

4.2 Discretion

Certain Determinations may have guidelines specifying how the Determination is ordinarily made. The Sustainability Committee retains discretion on whether it follows such guidelines, and/or change such guidelines permanently. Reasons for deviating from such guidelines include, but are not limited, to:

- data related to such company is being questioned, or is limited in scope/and or quality;
- a news event has occurred which requires further investigation;
- consensus changes in line with changing markets;
- an expected positive impact; *and*
- keeping to a strict interpretation of the guidelines will potentially have a negative impact.

4.3 List of ongoing determinations

The Sustainability Matter makes the following Determinations on an ongoing basis:

- The Sustainability Blacklist, as detailed in section 4.5.1.
- Sustainability Europe Consensus Whitelist, as detailed in section 4.5.2

The specifics of certain Determinations are detailed in 4.5.

4.4 Definitions

The following definitions may be used in section 4.5.

Whitelist: means a list of stocks from the Underlying Universe which have been categorised as whitelisted by passing a set of Exclusion Guidelines by the Sustainability Committee.

Underlying Universe: means, in respect of the Whitelist, an underlying universe of potential stocks which will be used as a starting point before applying exclusions. The Sustainability Committee may decide to amend the Exclusion Guidelines in accordance with its procedures.

Eligible Exchange means each exchange on which a listing would be eligible for inclusion in the Underlying Universe.

4.5 Determination specifics

4.5.1 Sustainability Blacklist

The **Sustainability Blacklist**, which is a black list of companies determined by the Sustainability Committee using Norms-based Standards, which may include categorisations to enable differentiation.

4.5.2 Sustainability Europe Consensus Whitelist

Whitelist: means the Sustainability Europe Consensus Whitelist which is a list of stocks from the Underlying Universe which have been categorised as whitelisted by passing a set of Exclusion Guidelines by the Sustainability Committee.

Underlying Universe: means a selection of up to 600 of the largest stocks in Europe, listed on an Eligible Exchange, with a minimum liquidity greater than one million EUR equivalent average daily trading volume in the last 3 months prior. For each company, only the most liquid stock is considered.

Exclusion Guidelines: means an exclusion guidelines in accordance with:

- (a) Sector exclusions:
 - (i) tobacco; *and*
 - (ii) controversial and/or inhumane weapons.
- (b) Substantial coal involvement (25%+ of revenues);
- (c) Companies with material stranded assets;

(d) the ten names with the highest CO₂ emission intensity in the Underlying Universe; *and*

(e) companies on the Sustainability Blacklist, category A;

Eligible Exchange means each of the exchanges: Athens Stock Exchange (GR), Bolsa De Madrid (ES), Borsa Italiana (IT), Deutsche Börse (DE), Irish Stock Exchange (IE), London Stock Exchange (GB), NASDAQ OMX Copenhagen (DK), NASDAQ OMX Helsinki (FI), NASDAQ OMX Iceland (IS), NASDAQ OMX Stockholm (SE), EURONEXT Amsterdam (NL), EURONEXT Brussels (BE), EURONEXT Lisbon (PT), EURONEXT Paris (FR), Oslo Børs (NO), SIX Swiss Exchange (CH), Vienna Stock Exchange (AT)

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