



JAB

# Responsible Investment & Stewardship Policy

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December 2022

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## 1. APPLICATION

- 1.1 This responsible investment policy (“**RI Policy**”) is established, and may be amended by, the Managing Partners.
- 1.2 The meaning of certain capitalized or uncapitalized terms used in this RI Policy is set forth in the List of Definitions attached as **Annex 1**.
- 1.3 The responsible investment policy applies to JAB Holdings B.V., its direct and indirect parent companies (i.e. JAB Investments S.à r.l. and JAB Holding Company S.à r.l. respectively), its wholly owned subsidiaries (“**JAB**” or the “**Company**”) and their directors, officers, full-time, part-time and seconded employees, and anyone working on JAB’s behalf, e.g. consultants, advisors and representatives. The RI Policy applies in all countries in which JAB operates or conducts business. When the laws of those countries require a higher standard, the local standards will take precedent.
- 1.4 The purpose of this RI Policy is to provide a broad framework for ESG integration through the investment life cycle across JAB’s Portfolio Investments. For the purpose of this RI Policy, the investment life cycle refers to the period prior to the acquisition of an investment to its exit, and as such covers the investment decision making process, as well as the management of the investments.
- 1.5 This RI Policy sets out the key principles and obligations in relation to the (responsible) investment and asset management activities in order to identify, assess and address those issues that JAB - in its sole discretion – determines to have – or have the potential to have - a substantial impact on an organization’s ability to create, preserve, or erode economic value, as well as environmental and social value for itself and its stakeholders (“**Material ESG Issues**”).
- 1.6 This RI Policy will be reviewed periodically and updated, as appropriate, to measure success and to reflect the Company’s strategy, targets, JAB’s competitive environment, key stakeholders’ expectations and investment beliefs (“**JAB Holding’s ESG Ambition & Roadmap**”), and compliance with law- and regulations (if any). The RI Policy may also be updated to include possible responsible investment methodologies, or new asset classes that this RI Policy does not yet cover.

## 2. INTRODUCTION

- 2.1 Environmental, social, and governance (“**ESG**”, or “**Sustainability**”) topics are considered key components of long-term value and business resiliency and as such companies are expected to consider current ESG issues like business ethics, climate change, equality, diversity and inclusion, and transparency in their business operations. Regulators, policy makers, consumers are demanding high standards of sustainability from companies and investors.
- 2.2 Diminishing resources, changing consumer demands, evolving norms, and increased regulation are expected to pose greater challenges and opportunities for companies around the world. JAB holds the fundamental belief that companies that carefully manage ESG issues today are better positioned in the future in response to the rising demands.
- 2.3 JAB is dedicated that the investee companies it intends to invest, or is invested in, (“**Portfolio**”

Investments”), act in accordance with high ethical and professional standards. Through this policy, JAB commits to an investment management philosophy of working with investee companies to address and monitor their material sustainability issues, allowing it to identify and effectively address related risks and value-enhancing opportunities for the stakeholders of JAB.

- 2.4 JAB seeks to reduce risk and enhance value by building a proactive focus on ESG issues across the investment life cycle, wherever possible. For this purpose, the Company has adhered to the United Nations Principles for Responsible Investment (“PRI”) and is a signatory of the PRI since 2020. PRI defines responsible investment as a strategy and practice to incorporate ESG factors in investment decisions and active ownership.
- 2.5 Business Ethics are a fundamental cornerstone in the way JAB operates. In 2021, we became a member of the UN Global Compact (UNGC) and incorporate its Ten Principles into our strategy, policies and procedures. We have set the bar high to meet all Business Ethics KPIs, including a range of key policies and training on business ethics.
- 2.6 JAB is committed to the UN Sustainable Development Goals (SDGs), which are the internationally recognized framework adopted by all UN Member States in 2015 as part of the 2030 Agenda for Sustainable Development.
- 2.7 JAB has committed to the Science Based Target initiative (SBTi) and developed a GHG emission reduction plan. SBTi provides JAB with the framework to guide emissions reductions for JAB itself and to its portfolio investments. JAB also deems it important to assess and manage climate related risks and opportunities for the Company and its Portfolio Investments. For that purpose, JAB has become a formal supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) and is engaging with its Portfolio Investments to support TCFD implementation as well. Please refer to our Environmental Policy and Environmental Management System for more detail.
- 2.8 JAB is committed to:
- incorporate key ESG topics into investment decision-making; and
  - as appropriate and the extent possible, encourage the Portfolio Investments to address and monitor their material ESG topics through responsible management and stewardship practices

### 3. ROLES AND RESPONSIBILITIES

- 3.1 It is the responsibility of the Managing Partners, to:
- determine JAB’s ESG Ambition & Roadmap;
  - approve ESG related targets and goals, including those that underpin the RI Policy;
  - encourage ethical conduct and lead by example (tone from the top);
  - responsible for ensuring compliance with all relevant (ESG) laws, regulations, rules and professional standards applicable to JAB;
  - provide leadership and promote adherence to the RI Policy among its Employees;

- support the Head of Responsible and Sustainable Investing in his/her activities (further details below);
- monitor and enforce compliance with the RI Policy by the Employees, including taking appropriate disciplinary actions;
- assess and discuss periodically material ESG issues identified by the Head of Responsible and Sustainable Investing and/or the employees, and other matters that may arise either in the investment activities or management of the Portfolio Investments;
- approve recommendations from the Head of Responsible and Sustainable Investing and/or the employees, including (risk) mitigations and remediation actions for material ESG Issues identified/reported; and
- approve investment decisions.

In summary, the Managing Partners are ultimately responsible for defining JAB's ESG ambition and roadmap and for overseeing the organisation's progress on that regard.

3.2 **The Managing Partners** have the final responsibility for developing and executing mitigation actions whenever an issue arises or is brought to its attention. Mitigation actions may include:

- communication and collaboration with relevant authorities;
- adjustments in internal and external processes to eliminate future sources of issues; and
- careful consideration of human resource management and or business partners, among others.

3.3 It is also the responsibility of the Head of Responsible and Sustainable Investing, with the support of staff dedicated to ESG matters, to:

- develop ESG related targets and goals related to investment activities;
- assist employees to understand the importance and requirements of the RI Policy and how to apply it in practice;
- to monitor compliance, and in case a single Partner is involved, or a delegate has been appointed:
  - to notify Managing Partners in a timely manner when a significant risk matter arises; and
  - to provide regular updates to the Managing Partners, at a frequency which is in accordance with the nature, scale and complexity of the JAB activities, that include:
    - the adequacy and effectiveness of the investment and asset management procedures, indicating whether appropriate remedial measures have been or will be taken in the event of any actual or anticipated deficiencies; and
    - an outline of the ESG risks that JAB potentially face to ensure that prompt and appropriate action can be taken.
- implement effective investment management procedures that incorporate the guidelines of the PRI where appropriate, including the identification and assessment of the ESG risks of

proposed investments, integrate findings into overall investment analysis and decisions, and communicating and discussing results and investment recommendations with(in) the Managing Partners before pursuing an investment decision (see section 6);

- implement effective asset management procedures including encouraging and monitoring of the ESG risks that the Portfolio Investments have identified, as well as communicating and discussing the Portfolio Investments' progress in dealing with such ESG risks with the Managing Partners (see section 6);
- use reasonable care to monitor third parties acting on behalf of JAB to ensure that their work is in accordance with this RI Policy;
- develop and execute alternative initiatives to promote and foster a culture of responsible investment, including implementation of a Collaboration Forum with portfolio companies (taking place every three months), exchanges of information and cross-pollination of ideas and initiatives, coordination of projects with external consulting companies or recognized experts in the field of ESG, among others;
- inform and train employees (currently JAB trains 100% of its team members on ESG and responsible investment).

The Managing Partners may delegate the execution and overseeing of the items above to alternative or additional team members. The Head of Responsible and Sustainable Investing or a delegate will be entrusted with enough resources (that could include external advisors) to support them to carry out their role.

#### **4. TRAINING**

- 4.1 JAB ensures that its employees that are involved in the investment and/or asset management activities are aware of their professional obligations, by providing them with training on responsible investment.
- 4.2 Such training is also aimed to raise awareness of the RI Policy internally and to ensure that the employees have the information and tools required to meet the stated RI Policy commitments.
- 4.3 The Head of Responsible and Sustainable Investing and the Managing Partners monitor ESG developments and the Head of Responsible and Sustainable Investing will inform the Employees of relevant changes in applicable laws and regulations and RI Policy requirements and/or facilitates (updated) training to the extent relevant. The content of training shall be appropriate for the level of knowledge and experience of the relevant Employee and their function.

#### **5. IMPLEMENTATION OF THE PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)**

- 5.1 JAB is dedicated to having businesses acting in accordance with high ethical and professional standards and together address ESG risks.

- 5.2 JAB is committed to an investment management philosophy of working with Portfolio Investments to address and monitor material sustainability issues. JAB incorporates sustainability issues into decision-making and ownership practices across its majority owned Portfolio Investments.
- 5.3 ESG related topics are overseen by the Head of Responsible and Sustainable Investing who is supported by ESG dedicated team members.
- 5.4 In cases where JAB has limited ability to influence, Portfolio Investments will be encouraged and stewarded to consider relevant activities covered in the Investment monitoring section of this RI Policy (section 9).
- 5.5 JAB has adhered to the PRI. For this purpose, JAB:
- will incorporate ESG topics into investment analysis and decision-making processes;
  - will regularly evaluate the Portfolio Investments' performance based on key relevant indicators;
  - will seek appropriate disclosures on ESG topics from Portfolio Investments;
  - will provide, over time, reporting on progress related to ESG topics of Portfolio Investments;
  - will engage with key stakeholders in efforts to continuously improve RI approach;
  - will promote acceptance and implementation of the PRI within the investment industry; and
  - will work together to enhance the effective implementation of the PRI standards

This is not intended to be an exhaustive list of all PRI or other responsible investment principles that the Company adheres to, nor a comprehensive checklist of all the related policies that the Company should adhere to, in complying with PRI or other responsible investment principles.

## **6. ESG INCORPORATION IN INVESTMENT PRACTICES**

- 6.1 In accordance with the PRI, JAB incorporates ESG issues into existing investment practices using a combination of three approaches:
- Include ESG issues in investment analysis and decisions, to better manage risks and improve returns (integration approach);
  - Apply filters to lists of potential investments to rule prospective Portfolio Investments in or out of contention for investment, based on JAB's preferences, values and ethics (screening approach); and
  - Seek to combine attractive risk return profiles with an intention to contribute to a specific environmental or social outcome, including impact investing (thematic approach).

### **6.2 Integrating ESG in investment analysis**

- 6.2.1 Before entering into an investment agreement with a potential Portfolio Investment, the Managing

Partners conduct an ESG risk assessment to identify whether the potential Portfolio Investment faces any Material ESG Issues. The findings of the risk assessment shall be incorporated into the overall investment analysis and decision making.

6.2.2 Portfolio Investments may face various ESG risks in undertaking their business activities. Risk assessment forms the basis for JAB to identify material ESG risks that the potential Portfolio Investments may face, and whether the identified ESG risks are within the scope of JAB’s investment requirements.

6.2.3 In the ESG risk assessment, JAB considers the nature and the size of the Portfolio Investments’ activities and the ESG risk factors related to:

- the types of Portfolio Investment and/or (ultimate) beneficial owners;
- the Portfolio Investments’ strategy, objectives and targets (if any);
- types of (envisaged) products and/ or services that the Portfolio Investments offer;
- the Portfolio Investments’ value chain;
- the countries and geographical locations of the Portfolio Investments’ operations.

6.2.4 ESG factors may prove important to a Portfolio Investment’s ability to navigate ESG-related risks and generate revenue while also benefiting society.

These risks, and the guidelines to manage those risks, are set out below. This is not intended to be an exhaustive list of all ESG risks that JAB may potentially encounter nor a comprehensive checklist of all the guidelines that JAB applies to address the identified ESG risks.

While this policy sets out a set of guidelines that are used to address the identified ESG risks, as part of the investment activities or as part of the asset management activities, JAB may apply alternative guidelines to address the identified risks.

<p>Environmental risk</p> <p>Environmental risks are related to risks resulting from Greenhouse Gas (GHG) accumulation in the atmosphere, leading to global warming with multiple consequences on economies, companies and supply/ distribution chains. JAB applies the Task Force on Climate-related Financial Disclosures (TCFD) to classify environmental risks.</p>	<p>Social Risk</p> <p>Social risk is about the way a company affects its various stakeholder groups such as employees, suppliers, contractor or consumers, and particularly, the extent to which these stakeholders are at risk of suffering any negative impacts as a result of corporate practices.</p>	<p>Governance risk</p> <p>Governance risks are related to several components. i.e., to (i) corporate governance, which can be seen as the way a company ‘governs’ itself through policies, processes and controls to achieve compliance and secure transparency in its dealings; and (ii) business ethics and integrity, which can be seen as the way a company steers clear of corruption and bribery and avoids openly engaging with politically exposed persons who may pose a</p>
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		reputational risk to the company's brand.
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### 6.3 Approach to Due Diligence and Investment Monitoring

6.3.1 JAB's approach is to implement this RI Policy and monitor the performance of its majority-owned Portfolio Investments. During the pre-investment phase, JAB will identify Material ESG Issues through the due diligence process. These Material ESG Issues will be discussed and considered as applicable by the Managing Partners.

6.3.2 The ESG Due Diligence scope and processes are focused on the defined ESG material topics (Business Ethics; Climate Change & Energy; Equality of Opportunity, Diversity & Inclusion; ESG Management & Accountability). Additional ESG topics are added given the industry, regulation, requirements, and stakeholder expectations. The process highlights both opportunities and risks associated with the ESG material topics.

6.3.3 Based on our ESG Due Diligence an assessment of the maturity of the Material ESG topics is performed, resulting in an action plan with priorities to be recommended to the target's management team after closing. The action plan contains priorities and objectives for the respective Material ESG topics.

6.3.4 JAB will monitor ongoing progress on Material ESG Issues in its Portfolio Investments through the Portfolio Investments' annual board meetings.

6.3.5 In addition, the Company will require majority owned Portfolio Investments to have Material ESG Issues on the agenda of the Managing Partners at least once a year. All Portfolio Investments will be required to report on identified and agreed-upon key performance indicators across a number of Material ESG Issues as part of a common reporting framework.

### 6.4 Screening and exclusion

6.4.1 JAB applies an exclusion policy in its investment activities which forms the basis of its fiduciary duty. As an overarching principle, prospective Portfolio Investments that do not comply with this RI Policy, international conventions, internationally recognized frameworks, and applicable sanction laws or other regulations will be excluded from investment consideration.

6.4.2 JAB applies specific sectoral exclusion policies for controversial industries, where relevant. Please refer to Annex 2: EXCLUSION LIST & PROHIBITED SECTORS LIST.

## 6.5 Investments approach

6.5.1 JAB aims to use a best-in-class approach in its ESG investments. This approach is based on texts with a universal scope, like the United Nations Global Compact Principles, OECD's Principles of Corporate Governance, OECD Guidelines for Multinational Enterprises, the International Labour Organization (ILO) Core Conventions and others.

6.5.2 JAB ESG assessments consist of rating (prospective) Portfolio Investments on their ESG practices according to their sector. JAB ESG assessment is based on an aggregate between the analysis of multiple extra-financial data providers and own due diligence. JAB considers three dimensions in its JAB ESG assessment: Environment, Social, Governance (ESG) and assesses (prospective) Portfolio Investments' exposure to risks and opportunities and the management of these challenges in each of their sectors.

- Environmental dimension: environmental issues could expose organizations to risks, but also provide opportunities, and this analysis assesses how Portfolio Investments deal with them. It examines Portfolio Investments' ability to control their direct and indirect environmental impact, by for example limiting their energy consumption to produce products such as coffee and tea, reducing their greenhouse emissions from energy consumption for transportation, fighting resource depletion and protecting biodiversity as a result of agricultural activity for the production of food and beverages;
- Social dimension: the objective here is to measure how a Portfolio Investment defines a strategy to develop its own human capital, as well as its approach to respecting and championing human rights in its supply chain, based on fundamental principles with a European and universal reach. Examples of the social dimension include diversity in company board and other leadership positions, allowing Employees the right to freedom of association (e.g. in unions), and preventing child labor or forced labor in the production of agricultural raw materials.
- Governance dimension: this dimension is set to ensure that a Portfolio Investment's management is able to organize a collaborative process between the different stakeholders that guarantees it will meet long-term objectives (therefore guaranteeing that Portfolio Investment's value over the long term). This dimension provides an analysis of how a Portfolio Investment integrates all of its stakeholders and ethical guidance in its development model: not only its shareholders, but also its Employees, clients and suppliers, local communities and the environment.

## 7. STEWARDSHIP AND ACTIVE OWNERSHIP

7.1 Stewardship refers to the responsibility of asset owners to exercise their ownership rights to protect and enhance long-term investment value by promoting sustainable value creation.

7.2 JAB's stewardship efforts are described in this RI Policy, particularly in this clause 7 and clause 8 below.

7.3 JAB plays an important role in influencing the behavior of managers of Portfolio Investments, whether it is in the way Portfolio Investments manage risk, the way Portfolio Investments

remunerate management and staff or how managers vote on key resolutions.

7.4 Stewardship activities include engagement and consideration of ESG issues in the appointment and monitoring of investment managers, as well as the oversight and monitoring of the management and governance structures of the Portfolio Investments.

## **8. RESPONSIBLE ASSET MANAGEMENT**

8.1 The management of each Portfolio Investment is ultimately responsible and accountable for the management and consideration of material ESG issues in their strategy and their business operations and processes, including identifying, managing and monitoring material Sustainability risks and opportunities.

8.2 Because JAB focuses on consumer goods and services industries, namely Coffee & Beverages, Fast-casual restaurants, Petcare, Beauty & Luxury and Indulgence, JAB believes it is well positioned to motivate enhanced performance on material ESG topics in these industries, thereby adding value to its Portfolio Investments based on its industry expertise.

8.3 JAB aims to encourage the Portfolio Investments to improve their ESG risk management or develop more sustainable business practices approach to encourage and monitor the performance on sustainability factors.

8.4 Approaches that JAB may apply (as indicated by the PRI) are:

- Discussing ESG issues with Portfolio Investments and encourage them to improve their handling, including disclosure, of such issues (Engagement).
- Formally expressing approval or disapproval through voting on resolutions and proposing resolutions on specific ESG issues (Voting).

8.5 In some cases, JAB is a minority shareholder of a Portfolio Investment and as such JAB will have limited power and authority to influence, and/or access to the Portfolio Investment's information. The responsibility lies with the management of the Portfolio Investments to ensure ESG integration in the organization. However, JAB envisions that its responsible investment and asset management approach, motivates Portfolio Investments, including those in which JAB holds a minority position, to adequately integrate ESG in business practices.

8.6 Engagement with Portfolio Investments: JAB strives to motivate the Portfolio Investments to set objectives, targets and key performance indicators on relevant ESG issues and report progress on these as part of a common reporting framework (e.g., CSR reporting, integrated reporting, PRI, etc). JAB aims to encourage, and where possible, monitor the performance on ESG issues of its majority-owned Portfolio Investments through engagement. This includes:

- The management of majority owned Portfolio Investments is responsible to provide regular updates to the Managing Partners. Typically, JAB through representatives of the wider JAB group will have board representation in each of its Portfolio Investments. This allows to attend important meetings where Portfolio Investments discuss and set their strategy, targets and objectives, as well as discuss progress and performance towards meeting these.

Where needed, and to the extent appropriate or not yet covered, JAB will encourage the Portfolio Investments to incorporate ESG issues in their strategy, targets and objective setting;

- JAB may act as a sounding board to the Portfolio Investments and provide recommendations if requested;
- JAB will encourage majority owned Portfolio Investments to integrate material ESG risks issues into its risk management.
- JAB may actively engage discussions of ESG issues with Portfolio Investments to improve their handling of ESG issues, for example discussing whether the performance on ESG topics has or should be included in the remuneration of the management of the Portfolio Investments.

8.7 Engagement through proxy voting: where relevant JAB engages through voting in two ways:

- JAB's voting approach helps influence Portfolio Investments' approach to address ESG issues and aims to ensure consistency in the areas of progress selected and the principle outlined in the RI policy.

## **9. INTERNAL MONITORING AND REPORTING**

9.1 JAB aims to ensure that its investment and management activities are, and remain, in compliance with the RI Policy, applicable legal, regulatory (if any) and contractual requirements.

9.2 JAB has monitoring procedures that evaluate JAB's compliance with the RI Policy, applicable legal, regulatory (if any) and contractual requirements, the implementation and performance of the procedures and the relevance, adequacy and effective operation of key quality control policies and procedures (if any).

9.3 Through their quarterly board meetings, Portfolio Investments are continuously monitored and assessed on an ongoing basis to ensure to assess and benchmark their ESG performance. JAB will receive periodic reports from the Portfolio Investments, which includes information on the performance, covering ESG topics. Developed KPIs, objectives, and detailed criteria to evaluate progress include (non-exhaustive):

- minimum level of business ethics policies in place;
- business ethics training program;
- anonymous complaints mechanism;
- encouraging portfolio companies to measure and report on their GHG emissions in accordance with SBTi and TCFD;
- encouraging portfolio companies to set ambitious GHG emission reduction targets and take appropriate actions to reduce GHG emissions where feasible; and
- gender diversity at board and senior leadership team level, amongst others.

9.4 The results and overall findings from the monitoring procedures performed are discussed with the Managing Partners, and lessons from these procedures are communicated within the Portfolio Investment and as part of the training.

## **10. EXTERNAL REPORTING AND DISCLOSURES**

10.1 JAB aims to promote the acceptance and implementation of responsible investment and ownership principles/practices within the private equity and financial industry. For this purpose, JAB shares RI information and other relevant sustainability information on its website. The Company discloses RI information in accordance with applicable regulation, where applicable.

10.2 JAB reports periodically on material ESG topics. Furthermore, the Company recognizes that most ESG impact is at the level of the Portfolio Investments, and that a consolidated report would not be meaningful and dilute the specific issues each Portfolio Investment faces.

\* \* \* \* \*

# ANNEX 1

## 1. LIST OF DEFINITIONS

1. In this RI Policy, the following terms have the following meanings:

**Company** means JAB Holdings B.V., its direct and indirect parent companies (i.e. JAB Investments S.à r.l. and JAB Holding Company S.à r.l. respectively) and its direct wholly owned subsidiaries.

**Employee** means any director, officer, full-time, part-time and seconded employee including any third-party contractor, who receives or is entitled to receive remuneration for goods or services from JAB.

**ESG** means Environmental, Social, and Governance.

**Head of Responsible and Sustainable Investing** means the Head of Responsible and Sustainable Investing of JAB.

**JAB** means JAB Holdings B.V., its direct and indirect parent companies (i.e. JAB Investments S.à r.l. and JAB Holding Company S.à r.l. respectively) and its direct wholly owned subsidiaries.

**Managing Partners** means the managing partners of JAB.

**Material ESG Issue** means those issues that JAB - in its sole discretion - determines to have - or have the potential to have - a substantial impact on an organization's ability to create, preserve, or erode economic value, as well as environmental and social value for itself and its stakeholders.

**Portfolio Investments** means a company that JAB invests in.

**PRI** means the United Nations Principles of Responsible Investment.

**RI Policy** means the Responsible Investment Policy of JAB.

**Sustainability** means Environmental, Social, and Governance

2. Save where the context dictates otherwise, in this RI Policy:

- (a) unless a different intention clearly appears, a reference to a Clause or Annex is a reference to a clause or annex of this RI Policy;
- (b) words and expressions expressed in the singular form also include the plural form, and vice versa;
- (c) words and expressions expressed in the masculine form also include the feminine form; and
- (d) a reference to a statutory provision counts as a reference to this statutory provision including all amendments, additions and replacing legislation that may apply from time to time.

3. Headings of clauses and other headings in this RI Policy are inserted for ease of reference and do not form part of this RI Policy for the purpose of interpretation.

## ANNEX 2

### 2. EXCLUSION LIST & PROHIBITED SECTORS LIST

#### 1. Anti-Social Forces, Terrorism, Human Rights Violations and Corruption

Any direct or indirect investment which constitutes or is involved in the financing of:

- (a) an anti-social force (including but not limited to: organized crime, member of a criminal organization, a person who has been a member of a criminal organization in the past five years, a quasi-member of a criminal organization, organized crime-related entity, corporate extortionist, racketeering organization, violence group with special intelligence, or any person who is equivalent to the foregoing);
- (b) individuals, entities or organizations which are involved in terrorism and appear as such on the lists of one or more of
  - (i) the United Nations Security Council Committee,
  - (ii) the European Union,
  - (iii) Her Majesty's Treasury of the United Kingdom,
  - (iv) the United States' OFAC
- (c) any investment which is or has been directly involved in serious systematic human rights violations or severe environmental damage and where such activities, in the sole determination of the Managing Partners, is ongoing;
- (d) any investment which engages in material and/or systematic corruption where such material and/or systematic corruption has been evidenced by a decision or an order of a court or intergovernmental organization such as the UN or the OECD and where such corruption, in the sole determination of the Managing Partners, is ongoing.

#### 2. Chemicals

Companies which manufacture:

- (a) Chemical weapons
- (b) Chemicals prohibited in Annex A of the Stockholm Convention, an international agreement on persistent organic pollutants (POPs) which create severe health impacts, such as cancer
- (c) Chemicals which are inconsistent with Annex III of the Rotterdam Convention, an international agreement on hazardous pesticides and industrial chemicals
- (d) Unbounded asbestos fibres
- (e) Products containing PCBs
- (f) Pharmaceuticals subject to international phase outs or bans
- (g) Pesticides/herbicides subject to international phase outs or bans



- (h) Ozone depleting substances (ODS) subject to international phase out (for example CFCs)
- (i) Narcotics
- (j) Cannabis and cannabis derivative products
- (k) E-cigarettes

### 3. Defense Equipment

Companies which manufacture, sell, supply, distribute, purchase or use:

- (a) Munitions (cluster munitions and bombs, anti-personnel mines, biological and nuclear weapons), including any key components thereof
- (b) Other weapons where this amounts to more than one third of the business in terms of its typical annual turnover.

Companies which have a direct or indirect stake of more than 20% in a subsidiary that is directly involved in the manufacture, sell, supply, distribute, purchase or use of the above mentioned weaponry or munitions.

### 4. Energy

Companies which directly or indirectly support:

- (a) New coal fired power plants, including completely new plants and major expansions to existing plants;
- (b) New offshore oil or gas projects in the Arctic;
- (c) New greenfield oil sands projects, including completely new mines, new "in situ" operations in geographically separate locations to existing ones, and new pipelines dedicated to the oil sands sector; and
- (d) New nuclear projects inconsistent with the International Atomic Energy Agency standards.

### 5. Forestry and Wildlife

Companies which are involved directly, or indirectly via the supply chain, in: illegal logging; wood logged in violation of traditional and civil rights; wood logged in forests where high conservation values (i.e. critical ecological attributes, ecosystem services or social functions – for example, forests containing endangered species or key hunting areas or sacred burial grounds of local communities.) are threatened by industry; or forests being converted to plantation or to non-forest use (deforestation); or wildlife or wildlife products regulated under CITES or species on the IUCN Red List of threatened species.

### 6. Agriculture and Fishing

- (a) Growers and mills which are involved in: illegal operations; land clearance by burning; the conversion of areas (often forests) necessary to protect high conservation values; harmful or exploitative child labour or forced labour; the

violation of the rights of local communities, such as the principle of free prior and informed consent; and operations where there is significant social conflict.

- (b) Traditional goose liver production and trade.
- (c) Activity of drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- (d) Companies operating in the palm oil, soy, cattle ranching or rubberwood industries which are involved directly, or which source from suppliers involved in:
  - (i) illegal operations;
  - (ii) deforestation (i.e. the conversion of areas (often forests) necessary to protect high conservation values (as defined in paragraph 4(c) above), the conversion of high carbon stock forests, the conversion of primary tropical forests or land clearance by burning);
  - (iii) new plantation development on peat, regardless of the depth; and
  - (iv) exploitation of people and communities, including harmful or exploitative child labour or forced labour, the violation of the rights of local communities, such as the principle of free prior and informed consent, and operations where there is significant social conflict.

## 7. Freshwater

Companies which directly support the following:

- (a) New large dams (i.e. dams exceeding 15 metres in height or exceeding both 5 metres in height and 3 million cubic metres in reservoir volume) for hydroelectric projects inconsistent with the World Commission on Dams Framework; or
- (b) Projects located in, or substantially impacting on critical Natural Habitats where the project significantly degrades or converts them.

All prohibitions extend to indirect support, such as general purpose investments, where the use of proceeds is known and materially supports prohibited activities.

## 8. Mining & Metals

Companies which directly support:

- (a) New thermal coal mines or new customers dependent on thermal coal mining.
- (b) Mines using Mountaintop Removal (MTR), or customers dependent on MTR, in the Central Appalachian Mountains of the United States of America.
- (c) Customers commencing the disposal of tailings in rivers or shallow sea-water<sup>3</sup> in or since 2007.

## 9. World Heritage Sites and Ramsar Wetlands

Companies which directly supporting projects which threaten the special characteristics

of UNESCO World Heritage Sites or Ramsar Wetlands.

#### 10. Certain Transactions

Companies that:

- (a) are themselves, are owned or controlled by or are acting on behalf of any Person (as defined below) who is, to the knowledge of JAB:
  - (i) in violation of any relevant anti-money laundering legislation, rule, regulation or order;
  - (ii) in violation of any relevant anti-bribery or corruption legislation, rule, regulation or order, including for the avoidance of doubt, the Bribery Act 2010; or
  - (iii) a designated target of Sanctions;
  - (iv) organised or resident in a country or territory whose government is the target of sanctions including Cuba, Iran, North Korea, Sudan, Syria and the Crimea Region ); or
  - (v) otherwise a subject of Sanctions.

For these purposes, in respect of (a)(i) and (a)(ii) above, ownership of 10% or more of outstanding voting securities being presumptively a control position.

JAB confirms that for the purposes of this letter:

- (a) the term "Person" includes all natural persons, entities, organizations, governments, territories and other political entities; and
- (b) the term "Sanctions" mean sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any of the following sanctions authorities:
  - (i) the United States Government;
  - (ii) the United Nations;
  - (iii) the European Union or any of its Member States;
  - (iv) the United Kingdom; or
  - (v) Hong Kong

#### 11. Unlicensed or Unregistered Financial Institutions

A Portfolio Investment that is (or a Portfolio Investment that has any member of its corporate group that is) an unlicensed or unregulated financial institution (e.g. a broker-dealer) or Money Services Business (i.e. companies offering services involving money/currency exchange, money transfer, cheque cashing, and issuing or selling travellers cheques or money orders) that has operations in a jurisdiction which requires such financial institution or Money Services Business to have a licence and/or registration.

12. Shell Banks

A financial institution that has no physical existence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision.