

Policy on  
Controversial  
Activities

A photograph of a nuclear power plant at sunset. Two large, white, hyperboloid cooling towers are the central focus, with thick plumes of white steam rising from them. The sky is a mix of orange, yellow, and grey, with scattered clouds. In the foreground, there is a body of water reflecting the light. To the right, several high-voltage electrical transmission towers and power lines are visible against the horizon.

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# Part of CapitalatWork's Socially Responsible Investment Policy and Methodology entails dealing with controversial activities and industries.

Please find below a detailed description of how those specific issues are addressed.

This policy applies to CapitalatWork's financial instruments classified as Article 8 as per the SFDR 2019/2088 regulation.

## The UN Global Compact

The UN Global Compact is a United Nation initiative that encourages businesses worldwide to adopt and promote sustainable and socially responsible policies. The initiative also encourages the participants to report the implementation of their policies and widespread good practices among all industries. Started in 2000, the main guidelines follow 10 principles (listed further in this document) that act as the basis to meet fundamental responsibilities relying on Human Right, Labor Rights, the Environment and Anti-Corruption.

An essential point for CapitalatWork is that the companies we invest in do not represent threats to any of the topics mentioned above. We therefore exclude companies that breach, in any way, any of the 10 principles defined by the Global Compact initiative.

### Human Rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** 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; and

**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 initiatives to promote greater environmental responsibility; and

**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.



## Controversial activities

CapitalatWork wishes to restrain its investments in companies that operate or are involved in industries that we consider inadequate. Several sectors are especially notorious for the harm they have caused to individuals or the environment and supporting them would not make sense to us. However, we realize that some nations and populations are dependent on those activities and we encourage the establishment of the right policies as a necessary way to prevent further physical or moral damages.



### Arctic Oil and Gas Exploration & Oil Sands & Shale Energy:

CapitalatWork completely **excludes investments with involvement in unconventional oil and gas exploration**. Moreover, we support the transition from companies and economies largely relying on fossil fuel consumption and nuclear power to the use of alternative and more sustainable sources of energy production. However, we also agree that creating the necessary infrastructure to facilitate this shift will take time.



### Conventional Oil and Gas:

As the future developments of our economy are still very dependent on fossil fuels, we believe being involved in the energy transition makes more sense than blindly excluding the industry. Oil and gas behemoths signaling their intention to shift towards cleaner energies will be the long-term winners. Therefore, CapitalatWork **excludes companies with involvement in conventional oil and gas if they do not meet at least one of the following criteria:**

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi "Business Ambition for 1.5°C" commitment.
- Derive less than 5% of its revenues from oil and gas-related activities.
- Have less than 15% of capital expenditures dedicated to oil and gas-related activities and not with the objective of increasing revenue.
- Have more than 15% of capital expenditures dedicated to contributing activities (Economic activities included in the EU Taxonomy or other economic activities (not yet in the EU Taxonomy) that contribute to environmental or social objectives (the activities shall clearly and concretely contribute to any of the EU environmental objectives or the Sustainable Development Goals (SDGs)).



### Electricity Generation:

CapitalatWork excludes investing in utility companies that are not in line with the Paris agreement goals or the below 2 degrees scenario. Therefore, we **exclude companies with involvement in electricity generation if:**

**Production** carbon intensity: restricted above 393gCO<sup>2</sup>/kWh in 2021, 374 gCO<sup>2</sup>/kWh in 2022, 354 gCO<sup>2</sup>/kWh in 2023, 335 gCO<sup>2</sup>/kWh in 2024, 315 gCO<sup>2</sup>/kWh in 2025



#### (Electricity Generation and Conventional Oil and Gas: Unaligned Companies)

In the special case that a company active in either electricity generation or conventional oil and gas would not be aligned with our policy but present in a portfolio integrating our SRI policy, we have developed the following guidelines.

- Unaligned companies cannot represent more than 5% of the whole portfolio.
- Unaligned companies have to be within the best 25% of their peer group in term of energy transition.



#### Nuclear:

CapitalatWork excludes investing in companies related to nuclear power due to the significant controversies linked to the industry. As a result, CapitalatWork excludes companies with involvement in the:

- **Production** of nuclear power: complete restriction on revenue generation.
- **Distribution** of nuclear power: complete restriction on revenue generation.
- **Provision of supporting products and services** to customers in nuclear power production or distribution: restriction above 5% of revenues.



#### Thermal Coal:

CapitalatWork excludes investing in companies related to thermal coal due to the unsustainable and extremely polluting nature of the industry. As a result, CapitalatWork excludes companies with involvement in the:

- **Extraction** of thermal coal: complete restriction on revenue generation.
- **Power generation** with thermal coal: restriction above 5 % of revenues.



#### Controversial Weapons:

Controversial weapons are defined as weapons that are either illegal – as their production and use is prohibited by international legal instruments – or deemed particularly controversial because of their indiscriminate (no distinction between civilians and combatants) effects and the disproportionate harm they cause. On basis of the above definition and BEAMA's list of controversial weaponry (nuclear weapons, biological weapons, chemical weapons, non-detectable fragments, blinding laser weapons, anti-personnel mines, cluster munitions, incendiary weapons and depleted uranium ammunition) **CapitalatWork fully excludes companies with direct and indirect involvement in these activities.**





### Military Contracting:

Disclosure of companies involved in the production or distribution of weapon related products tends to be opaque. As a result, CapitalatWork excludes companies with involvement in the:

- **Production, distribution or ownership** of weapons and weapon-related products: restriction above 5% of revenues.
- **Production, distribution or ownership** of non-weapon related products: restriction above 10% of revenues.



### Small Arms:

CapitalatWork excludes companies if the manufacturing and sale of assault weapons to civilian customers, small arms to military/law enforcement, key components of small arms, or small arms (non-assault weapons) to civilian customers account for more than 5% of their revenue.



### Tobacco:

Tobacco products have proven to be extremely harmful for users, their entourage and the environment because of the use of non-biodegradable products. Due to the facts that tobacco products are sold in the large-scale distribution industry, we cannot restrict investment in the whole supply-chain of tobacco products. CapitalatWork therefore excludes investments in companies involved in the:

- **Production** of tobacco: complete restriction on revenue generation from these activities.
- **Provision** of tobacco-related products and services: restriction above 5% of revenues.
- **Retail** of tobacco (products): restriction above 15% of revenues.



### Pornography

The industry of pornography has a high potential to lead to human abuse and manipulation. As a result, CapitalatWork excludes investments in companies involved in the:

- **Production** of pornographic content: complete restriction on revenue generation.
- **Distribution** of pornographic content: restriction above 10% of revenues.



### Alcoholic Beverages & Gambling:

Although we understand that those products/services have a negative reputation by nature, we believe the right way to be critical about those industries is to consider the management of risk prevention. A majority of their customers make use of them on a recreational basis (no abuse) and are therefore not harmed directly. The implementation of policies preventing such exaggeration is exactly how those companies can curb abuses and therefore negative outcomes. More specifically, are these companies sufficiently warning customers for the dangers or negative side effects of their product? Is their communication non-ambiguous and well-defined? We screen the different policies and alternative products in place to determine whether they are satisfactory enough for the companies to be excluded or not.



This policy on controversial activities is what we believe to be our way of promoting righteous corporate conduct while remaining within our primary focus of creating value. We will continuously improve our transparency through different monitoring and reporting processes in order to keep our clients informed about our developments. We acknowledge that the financial world is evolving and that our policy on controversial activities will have to be updated over time to reflect our transforming views.

The management of CapitalatWork

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