PATRIMONIAL MANAGEMENT PRINCIPLES AND ETHICAL AND SOCIAL IMPACT INVESTMENTS DECLARATION

V1. Original document approved by the Board on 15 September 2015.
V2. Version 2 approved by the Board on 2 June 2017.
1. Preamble

Anesvad is a foundation committed to the realization of the human right to health whose mission is to combat neglected tropical diseases (NTD) in sub-Saharan Africa from a human rights perspective and in coherence with the strategy of Primary Health Care (PHC). Anesvad defines health not only as the absence of affections or diseases but as the complete physical, mental and social well-being. For this reason, it also intervenes in political, social, economic and cultural aspects.

The management of Anesvad’s heritage will be guided by the highest management standards in financial terms, based on setting a medium-term objective of return and risk, consistent with the Foundation’s goals and needs, as determined by the Board. Also, to seek consistency with the social nature of the Foundation, the patrimonial management will reflect the principles and values of the Foundation, to contribute in achieving its objectives and, in a broad sense, to a more just and equitable society within health, social and environmental areas. For these reasons, Anesvad applies ethical, social, labour, environmental and good corporate governance principles to its patrimonial management, while excluding investment in activities considered immoral or questionable, according to the values and principles contained in this Declaration.

The socially responsible investment (SRI) of Anesvad’s heritage contributes to achieving these broad objectives in several ways:

- The defence of principles and values widely accepted and endorsed in the International Human Rights System by excluding financial support to institutions, companies and States whose performance or activity is contrary to the same.
- The investment in those entities and activities that contribute to support the values that the Anesvad Foundation defends and promotes and to improve the full and universal exercise of human rights: civil and political, economic, social, labour, cultural and environmental. Performance in developing countries will be positively valued, and more specifically in sub-Saharan Africa.
- Anesvad will also be able to collaborate with other institutional investors in improving the configuration and effective application of social and environmental regulatory frameworks, as well as the actions of companies through dialogue and shareholder involvement.

For greater clarity and development of the principles included in this Declaration, the Foundation will have a more detailed Patrimonial Management Policy that will consist of the strategic distribution of assets, investment process, risk limits, portfolio monitoring, as well as any other relevant aspect.
The approval of this Declaration, as well as of the Management Policy, will be the responsibility of the highest governance body of the Foundation, the Board of Trustees, given its relevance, and should be subject to review, at least, on a biannual basis.

2.- Principles and Objectives of the Patrimonial Management

Concerning the financial aspects of investment management, the following principles are established:

- **Principle for setting return objective and risk appetite.** A profitability goal and risk (return volatility) will be determined by the expectations and needs of the Foundation, based on portfolio optimisation for a given level of risk, considering the investment horizon of the Foundation.
- **Identification, control, management and monitoring of the financial risks** of the portfolio. The investment policy will identify these risks and set specific limits for them.
- **Identification of eligible assets for investments.** A closed list of eligible assets will be determined, from which derivatives will be excluded, as well as those whose investment policies because they are poorly defined, making it difficult to monitor the financial and SRI commitments of the portfolio.
- **Identification, control, management and monitoring of the portfolio’s financial risks.** The adoption of the socially responsible investment commitment will systematically identify and manage these risk factors.
- **The principle of gain adjusted to risk.** Investments will have a financial return objective aligned with the risks assumed. However, the Board of Trustees will have the power to make investments with a return objective inferior to the market to generate a more significant social impact.
- **The principle of flexibility.** The strategic distribution of assets must be flexible, within the parameters and established investment ranges.
- **The principle for the search for excellence.** The investments will be made through collective instruments, usually specialised investment funds, in whose selection it will seek clarity in the investment objectives, both financial and SRI, evaluating the reporting. Direct investments may also be made that may contribute to the development of the goals outlined in the Declaration of Principles, given the need to have the appropriate capacities.
- **The principle of management professionalisation.** It is considered advisable that asset management is assisted by a specialised consultancy in the financial field and ethical investments and social impact. Also, the review is contemplated with the frequency considered opportune in external entity activities.
• **The principle of transparency and accountability.** The management will be carried out in line with the provisions of the Transparency Law, the Code of Good Governance of Capital Companies and the ethical codes of the international cooperation sector for development.

• **Principle of incidence and cultural change.** The Anesvad activity will be focused on respect, protection and promotion of human rights and defence of vulnerable groups, which should also be reflected in the investments carried out.

• **The principle of solidarity and support for social entrepreneurship.** Anesvad contemplates the possibility of making direct investments and implementing support formulas for other entities related to social action and international cooperation in health matters.

• **The principle of legality.** Both the investment activity of Anesvad and that of the companies and entities in which it invests will respect the principle of legality.

The Patrimonial management of the Foundation will be characterised by promoting the values indicated in the following documents:

• The United Nations' Guiding Principles for Business and Human Rights
• The ten principles of the United Nations Global Compact Initiative, as well as the United Nations principles for responsible investment (UN PRI)
• The Tripartite Declaration of Principles on Multinational Enterprises and Social Policy of the International Labour Organization
• The OCDE Guidelines for Multinational Enterprises and the OECD Principles on Good Governance

Through respect for these values, Anesvad assumes the commitment to contribute to:

• Respect human rights, as well as international treaties and conventions on responsible labour practices, migrant workers and their families and those related to the fight against racism and xenophobia
• Comply with the eight fundamental Conventions of the ILO, referring to forced labour, child labour and the right to organise
• Respect the environment, by complying with the legislation in force in the country of origin and maintaining the same standards wherever it operates
• Respect public health both in its products and in its production processes, by complying with the legislation in force in the country of origin. Anesvad will not be associated with any advertising campaign that boosts and promotes the consumption of products harmful to health such as tobacco or distilled alcohol
• Respect and sensitivity regarding the communities in which it invests and its sustainable human development
• Responsible management of the environment
• Effective and honest corporate governance practices
• Defence of integrity and fight against corruption
Additionally, Anesvad will exclude from the scope of its investments those entities that carry out activities related to the following sectors or activities:

- Controversial armament, especially antipersonnel mines and cluster bombs
- Tobacco
- Gambling
- Alcohol
- Companies and activities linked to products harmful to health
- Nuclear weapons and misuse of atomic energy
- The sex sector, pornography and prostitution
- Hazardous or controversial chemicals
- Genetically modified organisms used in food products and the treatment of animals
- Animal abuse concerning research and non-medical animal testing
- In environmental matters, any severe damage or long-term impact, and being of concern:
  - Illegal mining activities and where waste dumping is a specific risk
  - Illegal logging, destruction of tropical forests and ecosystems and other forms of logging that are especially harmful

Concerning States, public debt, and public bodies, it values the Rule of Law and the quality of the Government, social protection and solidarity and the protection of the environment. It excludes investment in securities issued by States that apply the death penalty, as well as those not adhered to the Paris Climate Agreement.
3.- Involvement strategies and adherence to the Principles of Responsible Investment of the United Nations (UN PRI)

Anesvad contemplates three forms of involvement:

- Promoting public debate, for example, at the sector level
- Involve proactively with companies about the impact of their processes, activities and products
- Reacting to undesirable company activities or performance

The use of the voting rights associated with the shares that are part of Anesvad's patrimony is a way to materialize the shareholding involvement. In addition to the financial issues, in the companies' meetings and as part of its code of good governance, problems with social, environmental and good governance implications can be put to the vote.

Given that investments will be made through investment funds for reasons of scale, efficiency, etc., Anesvad will incorporate in selection criteria of management and investment funds the existence both in policies and a well-developed and transparent practice for exercising the implication.

Additionally, Anesvad will participate in shared platforms to exercise its commitment to involvement. In that sense, the Principles of Responsible Investment of the United Nations (UN PRI) configure an essential framework to develop the other RSI strategies different from exclusion, that is, integration and involvement (and vote).
4.- Composition of the Investment Portfolio and SRI aspects

The attached table shows the different types of investment classified from the currently existing socially responsible investment, as well as the scope for the Foundation's investments.

<table>
<thead>
<tr>
<th>TYPE OF MANAGEMENT</th>
<th>FOCUS</th>
<th>ENVIROMENT OF ANESVAD INVESTMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional (finance)</td>
<td>Not focused at ESG factors</td>
<td>Responsible</td>
</tr>
<tr>
<td>Financial profitability</td>
<td>Incorporates ESG factors</td>
<td>Best in Class</td>
</tr>
<tr>
<td>ESG opportunities</td>
<td>Looks for best ESG experiences</td>
<td>Thematics and impact</td>
</tr>
<tr>
<td>High impact solutions</td>
<td>It addresses environmental or social issues</td>
<td>Social Impact</td>
</tr>
<tr>
<td>ESG experiences</td>
<td>It addresses environmental or social issues, (intentionality) financial sacrifice</td>
<td>Philanthropy (impact)</td>
</tr>
</tbody>
</table>

It is expected that most patrimony will be invested with strong integration of social, environmental and good governance aspects, following a pre-selection of investments according to SRI criteria. Consequently, the so-called “best-in-class” SRI will\(^1\) be prioritised, focused primarily on SRI aspects within its activity sector.

Investments in developing countries will be positively valued, especially in sub-Saharan Africa, always respecting the SRI criteria. In this sense, Anesvad will make use of the knowledge and relationships it maintains in countries where it is present to assess and better control investment proposals. Anesvad will also take into special account the social and environmental determinants (water, etc.) of health, in which it is a specialist, and in the areas of interest and presence of the entity.

On the other hand, the launching of the Sustainable Development Goals (SDGs) of the UN in 2015 has made it clear that the global community relies heavily on the private sector to solve some of the most urgent issues facing our planet. Both the various companies and institutional investors are asked to contribute to the achievement of the SDGs through their business activities, asset allocation and investment decisions. In this sense, the process of selecting investments made by the Anesvad Foundation will place a focus on choosing those fund managers who can demonstrate that the companies in which they invest generate a positive impact on any of the SDGs. In summary, the SDGs provide a useful reference framework

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regarding how investors can contribute to overcoming fundamental global challenges through their investments and for the standardization of impact investments and the measurement of an impact as such.

5.- Monitoring, Reporting and Transparency

The Investment Policy will develop the framework for control and monitoring of investments, considering best practices, as well as a definition of the roles and responsibilities of the participants in the investment process. Emphasis will be placed on the need for detailed and timely reporting of the evolution of the portfolio, investment decisions and the evolution of specific investments, which will be made available and communicated by the proposed framework and on an Ad hoc basis for specific demands that may arise.

Anesvad will request, at least every two years, an analysis of its investment portfolio from an entity specialised in ethical investment and social impact issues, in which it verifies that it complies with the requirements of this Declaration and, in general, with the principles, values and exclusions set forth therein. If it is found that there are discrepancies in the portfolio with this Declaration, the nature and entity of the same will be analysed, as well as the measures that, in relation to the principles of UN PRI, the implication, the managers or the sale and exclusion of such securities and assets must be adopted.

Likewise, mechanisms will be developed to measure the social impact of the financial investments made.

The Foundation is committed to transparency towards its social base and society in general in all its activities. Therefore, both this Declaration and the Patrimonial Management Policy will be published on its website. In addition, the annual report of the Foundation will include the most important aspects of the portfolio and its evolution, with special emphasis on social impact aspects. It will also develop public reporting on the achievement of the objectives of generating social impact.