



PORTFOLIO/METRIX
Investment Management **by Design**

THE SUSTAINABLE WORLD PORTFOLIO

A PortfolioMetrix Client Guide

September 2021

For investment professional, financial adviser and
advised investor use only.



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1. THE PORTFOLIOMETRIX SUSTAINABLE WORLD PORTFOLIOS

The PortfolioMetrix Sustainable World portfolios have been developed for clients who want their investments to focus on positively impacting society and the environment as well as generating strong long-term financial returns.

The aim of this guide is to explain how our Sustainable World portfolios benefit people and the planet, including why each fund used in Sustainable World was chosen.

How does Sustainable World have a Positive Impact on Society and the Environment?

Sustainable World invests in funds that put sustainability at the heart of their investment process and focus on companies delivering a clear positive benefit to society through their products, services and business practises.

These funds do this using a combination of three key techniques:

- 1 Invest in sustainable and impactful companies - Positive Screening**
- 2 Avoid/Exclude harmful companies - Negative Screening**
- 3 Improve the companies already invested in - Engagement**

In addition, PortfolioMetrix is committed to continually improving the positive impact of the Sustainable World portfolios, although never at the cost of their ability to also achieve strong long-term financial returns.

Positive Screening in Sustainable World

Most funds within Sustainable World will use some form of positive screening. This is where a fund tries to ensure it only invests in companies whose products and services are positively impacting people and the planet by defining certain sustainability themes and ensuring its investments directly impact one or more of them. Examples of themes might include cleaner energy and sustainable transport. Ørsted (an offshore wind farm operator) would become eligible for possible investment by supporting cleaner energy whilst Tesla (an electric vehicle manufacturer) would become eligible for supporting sustainable transport. It's worth noting that companies that pass a positive screen aren't automatically invested in – there may be other reasons why the fund manager ultimately decides against them, such as how expensive the shares are. But by only considering companies that pass the positive screen, the portfolio should end up with a much higher exposure to sustainable and impactful companies than a standard market index.



Company operations (as well as their products and services) are also an important consideration for Sustainable World portfolios. Companies that are well run, look after their staff, and have good relationships with suppliers and societies in which they operate are the focus for Sustainable World.

Negative Screening in Sustainable World

Most funds within Sustainable World will use negative screens (or exclusions). These criteria ensure the very worst companies from a social or environmental perspective are avoided. Exclusions can apply to countries, industries or even individual companies, and often focus on “sin stocks”, which are companies involved in the production and sale of tobacco, alcohol, gambling, controversial weapons and adult entertainment. Increasingly, funds will also exclude fossil fuel companies too.

Note: At a portfolio level Sustainable World seeks to exclude tobacco companies, weapons manufacturers and adult entertainment. Most funds invested in will also exclude gambling companies although there may be trace exposures in some bond funds. Sustainable World also seeks to dramatically reduce exposure to fossil fuels, but may have a small residual exposure to fossil fuel companies that are currently transitioning fully to renewables or enabling the transition away from dirty oil and coal energy production and thus actively helping reduce world CO₂ emissions (please see Frequently Asked Questions 4 for the example of Ørsted, one of the world's largest wind power producers which is in the process of selling its remaining fossil fuel business).

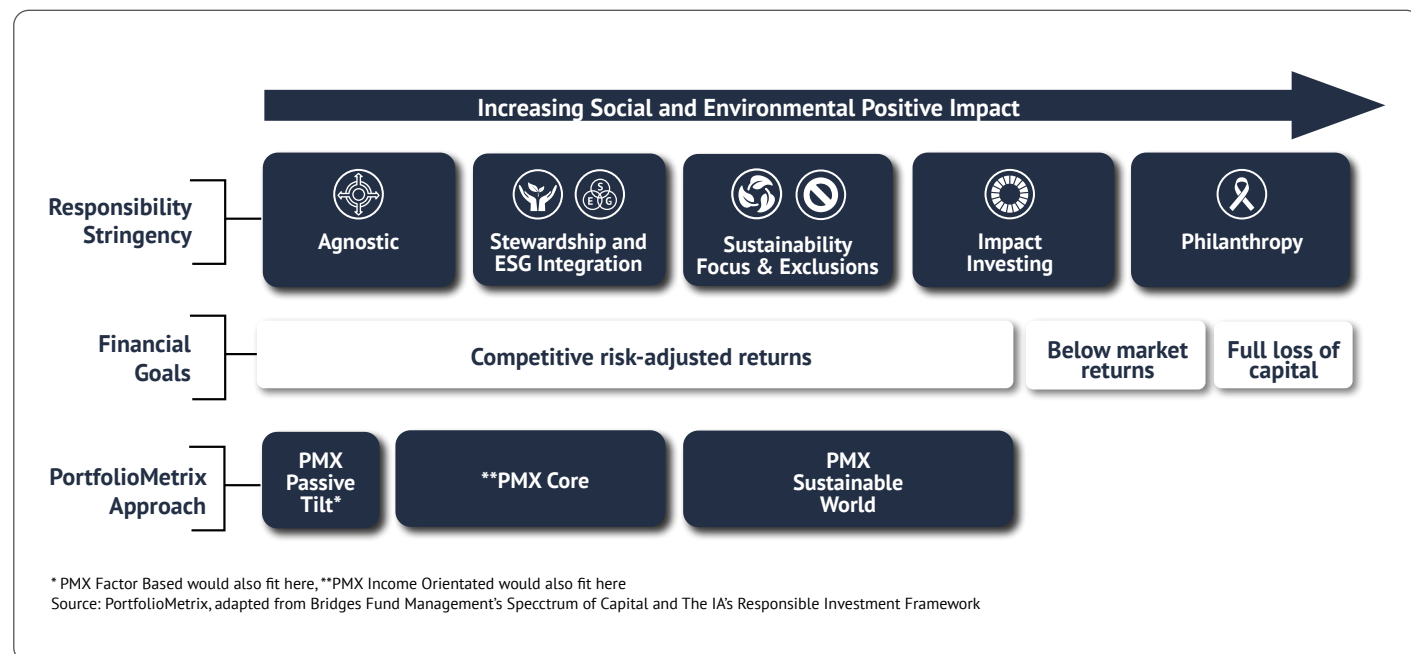
Engagement in Sustainable World

We expect all the funds within Sustainable World to practice engagement to drive positive change within the companies they invest in by identifying areas for improvement in the companies' products, services and business practises and encouraging companies to implement changes to achieve these improvements. Examples of topics which Sustainable World funds engage on include board remuneration, gender diversity and impact of business operations on the environment (say through packaging or energy use).

Note: also that there can be a modest tension between positive screening and engagement, whereby a fund can make a very big positive difference by investing in and successfully engaging with a decent but flawed company that might not initially pass a very strict positive screen. Within Sustainable World we accept that imperfect companies will be invested in, as long as there is a genuine effort on the part of the fund to improve the company over time.

The Spectrum of Responsible Investment






Another way of understanding the Sustainable World Portfolios is to look at the Spectrum of Responsible Investment, which measures how 'positively impactful' a particular strategy is and combines this with what type of financial returns that strategy seeks.



At the left-hand side of this spectrum are agnostic investments, like investing in an index tracker of the FTSE 100. These seek market-like returns and aren't necessarily 'irresponsible' from an impact point of view – they just aren't trying to achieve any particular sustainability outcome.

All the way to the right-hand side of the spectrum is philanthropy – highly impactful but not really investing as the donor isn't expecting any financial returns.

In the middle of the graphic are the five main strategies of responsible investment:

-  **Stewardship** – the responsible allocation, management and oversight of capital including a long-term focus and careful engagement with investee companies
-  **ESG Integration** – the systematic and explicit inclusion of material ESG (Environmental, Social, Governance) factors into investment analysis and investment decisions
-  **Exclusions** – the negative screening out of certain investments (the approach used by the majority of passive ESG funds)
-  **Sustainability Focus** – the selection and inclusion of investments on the basis of their products/ services/business operations fulfilling certain sustainability criteria and/or delivering on specific and measurable sustainability outcome i.e. on the basis of positive screens
-  **Impact Investing** – selecting companies with the intention to generate positive, measurable social and environmental impact alongside a financial return

Sustainable World will tend to focus on funds that follow a Sustainability Focus or Impact Investing Strategy, although often they will also incorporate Exclusions and as a given will also seek to demonstrate Stewardship and incorporate proper ESG Integration.

Crucially, and this is true of all PortfolioMetrix investment approaches, Sustainable World will also seek to generate risk-adjusted returns **at least as good as the overall market**.

2. FREQUENTLY ASKED QUESTIONS



1. Do PortfolioMetrix Sustainable World portfolios have any exclusions?

Exclusionary criteria for Sustainable World portfolios are set by the underlying fund holdings. At a portfolio level Sustainable World seeks to exclude **tobacco companies, weapons manufacturers and adult entertainment**. Most funds invested in will also exclude gambling companies although there may be trace exposures in some bond funds. Sustainable World also seeks to dramatically reduce exposure to fossil fuels. They may, however, have small residual exposure to fossil fuel companies that are currently transitioning fully to renewables or enabling the transition away from dirty oil and coal energy production and thus actively helping reduce world CO₂ emissions (please see below for further details of this and above for specific fund exclusion criteria).

2. Why don't the Sustainable World portfolios have more exclusions at the portfolio level?

Exclusionary criteria are often personal to the end investor, and therefore to design a portfolio that excludes what every single investor considers unethical would leave you with very few (if any) investable opportunities, and ultimately harm long-term risk adjusted returns (a key goal of the Sustainable World portfolios).

The main reason however relates to Sustainable World's philosophy of Positive Change. At PortfolioMetrix, we believe what you do invest in (positive screens) is a far more powerful way to support the transition to a more sustainable economy than what you are not investing in (negative screens). This is because actively investing in those providing solutions to sustainability challenges directly supports the transition to a more sustainable future. Negative screens however merely stops support for those negatively impacting society and the environment (and often some other investor will just take your place). For this reason, when choosing funds for Sustainable World, we are far more focused on the positive screening criteria, than the negative screening criteria.

3. Why do some underlying funds not have explicit exclusionary criteria?

The majority of funds used within Sustainable World do implement negative screening, with the exact exclusions depending on the underlying fund. PortfolioMetrix however, does not make it a requirement for a fund to have specific exclusions if there are other features of the fund's investment process that can filter out harmful companies, such as a sufficiently strong positive screening process. Some funds may not explicitly exclude tobacco, but their positive change philosophy for prospective investments means that they aren't going to invest in them anyway.



4. Do PortfolioMetrix Sustainable World portfolios have exposure to fossil fuels?

Sustainable World does not invest in funds that hold traditional fossil fuel companies like BP or Shell and certainly not thermal coal companies. But it does have some small residual fossil fuel exposure in companies that are either in the process of transitioning fully to renewables or enabling the transition away from oil and coal energy production (and hence helping reduce CO₂ emissions).

An example of these positions is Ørsted, quite widely held in Sustainable World and now a global leader in offshore wind with a 25% market share. A decade ago Ørsted was known as Danish Oil and Natural Gas (DONG) and was a traditional oil & gas company with a fair amount of coal exposure in the form of owning coal power stations. Because 'solutions-based' investors, like the managers we use, were willing to invest in the company once it stated its intention to move to renewables it has been able to reduce its use of coal by 73% and more than halve its CO₂ emissions with a clear path to be coal free by 2023 (with CO₂ emissions projected to be down by 96%). In January 2020, Ørsted was ranked the world's most sustainable company by Corporate Knights' 2020 index of the Global 100 most sustainable corporations and became the first-ever energy company to top the index having completed a fundamental business transformation from fossil fuels to renewable energy.

Sustainable World does include a few funds that have a fossil-fuels exclusion policy. We don't, however, want to make that a requirement to be included in Sustainable World as a whole because it would prevent us using managers who invest in companies like Ørsted, who we think are part of the solution to the problem of global warming.

If investors don't invest in companies which are part of the solution – then the solution never arrives. If no exposure to fossil fuels is crucial to your portfolio, please speak to your adviser about an alternative to Sustainable World.



5. Are Sustainable World portfolios more expensive than other multi-asset portfolios?

Funds used within Sustainable World portfolios are marginally more expensive than equivalent Core portfolios. This cost difference is primarily due to the additional research costs when compared to traditional financial analysis. Sustainable funds go that step further to understand how company products, services and business practises impact society and the environment. Further, funds typically engage with companies in order to help improve a company's products, services and business practises. All of which has a cost.

Underlying Fund OCF	Profile 1	Profile 2	Profile 3	Profile 4	Profile 5	Profile 6	Profile 7
Sustainable World (No Tilt)	0.43%	0.52%	0.60%	0.68%	0.71%	0.74%	0.78%
Core (No Tilt)	0.33%	0.41%	0.49%	0.56%	0.59%	0.63%	0.66%
Difference	0.09%	0.11%	0.12%	0.12%	0.11%	0.12%	0.12%

Note: The above is illustrative of portfolios on the Wealthtime platform as of August 2021. These figures are not guaranteed and are subject to change without notice.

If the additional costs are a concern, PortfolioMetrix does offer passive tilts of Sustainable World portfolios that help to reduce the overall cost. However, please refer to question 6 below to understand the implications of tilting towards passive.

6. What are the advantages and disadvantages or tilting to passive for Sustainable World portfolios?

Sustainable passive funds are cheaper than their active alternatives and therefore will reduce the overall cost of your portfolio.

Passive funds rely on data to select companies for inclusion in the portfolio. Unfortunately, positive screens require an in-depth knowledge of a company's products, services and business operations to understand their impact on society and the environment - much of which cannot be captured in quantitative data. Further, smaller companies, who are often the most impactful, are often not able to report the required data and are excluded from indices for this reason alone. For this reason, at PortfolioMetrix, we see passive implementations of Sustainable World (and passive ESG funds in general) as being less impactful.

7. Do I sacrifice returns by investing in Sustainable World?

There is no definitive evidence to suggest that investing sustainably results in underperformance vs agnostic investing over the very long-term. That said, there isn't clear evidence that investing sustainably leads to outperformance vs investing agnostically over the long-term either.

There will, however, be shorter periods of under and outperformance of sustainable investing vs agnostic investing as a result of the differences in what these two approaches invest in. A good example of this is when the oil price collapsed in the second quarter of 2020. Sustainability linked portfolios typically have no exposure to oil companies and therefore outperformed their agnostic counterparts. In future, there are likely to be periods where companies such as banks and oil companies do outperform, and this will likely lead agnostic strategies to outperform their sustainability linked counterparts over those periods.

8. Do Sustainable World portfolios have exposure to animal testing?

Animal testing is a less clear-cut topic when it comes to sustainable investing strategies. We are strongly in favour of funds that have exclusionary criteria for animal testing when such testing is of discretionary goods, such as cosmetics. However, we will not exclude funds that allow for animal-testing in what they consider non-discretionary areas such as the pharmaceutical industry, which is required to use animal testing by law (prior to any human testing). These funds make this allowance given the potential of pharmaceuticals to positively affect human lives (for example, by producing vaccines to protect against Covid-19) which is something we consider consistent with the philosophy of Sustainable World.



3. SUSTAINABILITY OVERVIEW OF HOLDINGS

Asset Class	Fund Name	Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Cash & Short-Term Bonds	NN (L) Green Bond Short Duration	Impact Investing	✓	✓	✓	✓
	Royal London Enhanced Cash Plus	Exclusions	✗	✓	✗	N/A
	Royal London Short Duration Gilts	N/A	N/A	N/A	N/A	N/A
	TwentyFour Sustainable Short Term Bond Income	Sustainability Focused	✓	✓	✗	N/A
Government Bonds	Wellington Global Impact Bond	Impact Investing	✓	✓	✓	✓
Corporate Bonds	Rathbone Ethical Bond	Exclusions	✗	✓	✗	N/A
	PIMCO Climate Bond	Sustainability Focused	✓	✓	✓	N/A
Emerging Market Debt	PIMCO Emerging Markets Bond ESG	Sustainability Focused	✓	✓	✓	N/A
Global Equities	BMO Responsible Global Equity	Sustainability Focused	✓	✓	✓	N/A
	Janus Henderson Global Sustainable Equity	Sustainability Focused	✓	✓	✓	N/A
	JOHCM Regan Global Equity Impact Solutions	Impact Investing	✓	✓	✓	✓
	Montanaro Better World	Impact Investing	✓	✓	✓	✓
	Stewart Investors Worldwide Sustainability	Sustainability Focused	✓	○	✓	N/A
	WHEB Sustainability	Impact Investing	✓	○	✓	✓
	Liontrust Sustainable Future UK Growth	Sustainability Focused	✓	✓	✓	N/A
UK Equities	Ninety One UK Sustainable Equity	Impact Investing	✓	✓	✓	✓
	Royal London Sustainable Leaders Trust	Sustainability Focused	✓	✓	✓	N/A
	Candriam SRI Equity Emerging Market	Sustainability Focused	✓	✓	✓	N/A
Emerging Market Equities	BMO Responsible Global Emerging Markets Equity	Sustainability Focused	✓	✓	✓	N/A
	Nomura ACI Emerging Markets Sustainable Impact	Sustainability Focused	✓	✓	✓	N/A
Listed Infrastructure	Foresight Global Real Infrastructure	Sustainability Focused	✓	✓	✓	N/A
Property	Sarasin Sustainable Global Real Estate Equity	Sustainability Focused	✓	N/A	✓	N/A

Passive Funds (used only in Sustainable World portfolios with a passive tilt)

Asset Class	Fund Name	Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Global Equities	Dimensional Global Sustainable Equity	Sustainability Focused	✓	✓	✗	N/A
	Vanguard ESG Developed World All Cap Equity Index	Exclusions	✗	✓	✗	N/A
UK Equities	L&G Future World ESG UK Index	Sustainability Focused	✓	✓	✗	N/A
Emerging Market Equities	Vanguard ESG Emerging Markets All Cap Equity	Exclusions	✗	✓	✗	N/A

Fund explicitly engages in this activity ✓
Fund does not explicitly engage in this activity ✗
Not applicable for this fund N/A

No explicit exclusions, but positive screens prevent inclusion in portfolios ○

4. MORE ON THE FUNDS SELECTED FOR SUSTAINABLE WORLD



This section sets out the sustainable investing approach taken by the managers of the underlying funds held within sustainable world portfolios.

Global Developed Equities WHEB Sustainability

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Impact Investing	✓	○	✓	✓

Positive Screens: WHEB will only invest in companies whose products and services provide solutions to sustainability challenges. Further, the impact must be intentional (not a by-product of an existing product or process) and measurable. WHEB focus on 9 specific sustainability challenges impacting both society and the environment:

- **Environmental:** Cleaner Energy, Environmental Services, Resource Efficiency, Sustainable Transport and Water Management
- **Social:** Education, Health, Safety and Well-Being

Negative Screens: The fund has no explicit exclusionary criteria given that social and environmental “bads” are automatically excluded via the positive screens they use.

Engagement: WHEB engage directly with companies on a broad spectrum of environmental, social and governance issues including gender diversity, board remuneration and ethical standards. Engagement case studies can be found on their microsite:

<https://impact.whebgroupp.com/engagement-case-studies/>

Impact Reporting: WHEB measure the positive impact associated with portfolio investments and this is reported in their annual impact report to investors. They also have an impact calculator that allows you to calculate the impact of your investment in the fund:

<https://impact.whebgroupp.com/impact-calculator/>



Montanaro Better World

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Impact Investing	✓	✓	✓	✓

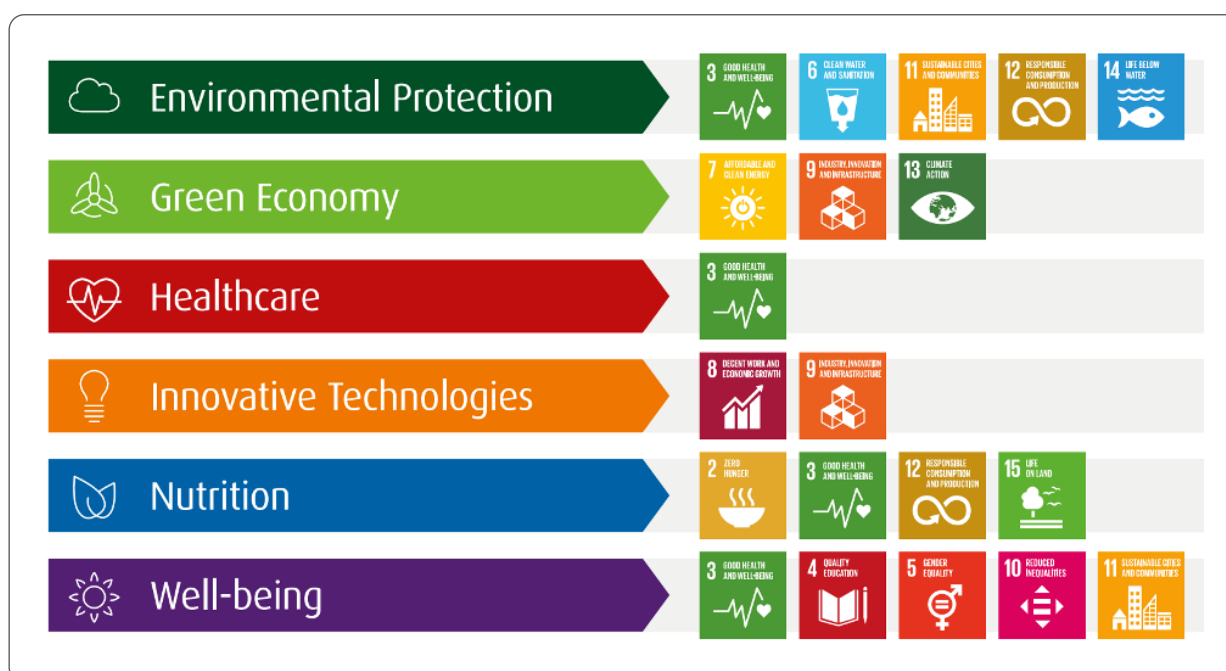
Positive Screens: Montanaro have identified 6 core themes that directly contribute to supporting the UN's Sustainable Development Goals¹ (UN SDGs): Environmental Protection, Low Carbon Economy, Healthcare, Innovative Technologies, Nutrition and Well-Being. Montanaro will only invest in companies whose products and services contribute to at least one theme, and those having an impact. Montanaro define impact as an activity that is intentional, additional, affordable, investable and reportable.

Negative Screens: Tobacco, Alcohol, Weapons, Adult Entertainment, Gambling, High-interest Rate Lending, and Fossil Fuels Exploration and Production.

Engagement: Montanaro aim to ensure management teams are working for the benefit of all stakeholders and consider: executive remuneration, capital allocation, board independence, and board diversity.

Impact Reporting: Montanaro measure the positive impact associated with portfolio investments and this is reported in their annual impact report to investors. They also have an impact calculator that allows you to calculate the impact of your investment in the fund: <https://montanaro.co.uk/fund/montanaro-better-world-fund/>

Other Positive Contributions: 10% of Montanaro revenue is donated to charity. The firm currently support Tribal Survival (<https://www.tribalsurvival.co.uk/the-need-for-tribal-survival.htm>) which supports endangered indigenous tribes in Asia, South America and Africa and City Harvest (<https://www.cityharvest.org.uk/>) a London based charity ensuring surplus food gets to those who need it most.



¹ For more information on the UN's SDGs, please visit the UN's website: <https://bit.ly/308IOP0>

JOHCM Regnan Global Sustainability Impact Solutions

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Impact Investing	✓	✓	✓	✓

Positive Screens: Regnan invest only in companies that they consider to be mission-driven in positively impacting society and the environment by providing a solution to a particular UN SDG target. The solutions are identified via the Regnan SDG Taxonomy. The fund specifically targets 8 solutions-based investment themes: Health & Well-Being, Energy Transition, Circular Economy, Future Mobility, Food Security, Education, Financial Inclusion, and Water.

Negative Screens: Fossil Fuels, Uranium, Tobacco, Weapons & Armaments, Gambling, Adult Entertainment and Alcohol.

Engagement: The team engages with all portfolio companies around reducing any negative impacts that the company is currently generating.

Impact Reporting: Regnan measure the positive impact associated with portfolio investments and this is reported in their quarterly impact report to investors: <https://www.regnan-johcm.com/wp-content/uploads/2021/04/Regnan-Global-Equity-Impact-Solutions-Fund-Q4-2020-Impact-Report.pdf>



Health & Well-being

Improved life expectancy and quality



Energy Transition

Transforming the energy system to power a low-carbon economy



Circular Economy

Resource efficiency, reusable and recyclability



Future Mobility

Low-carbon transportation



Food Security

Sustainable food supply and productive farmlands



Education

Access to quality education



Financial Inclusion

Financial Services for underserved populations



Water

Preservation of and access to water



Janus Henderson Global Sustainable Equity

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✓	N/A

Positive Screens: Janus Henderson only invest in businesses whose products and/or services have a positive impact on the development of a Sustainable Global Economy and support the UN's SDGs. Their approach is explicitly low carbon and focuses on companies contributing to 10 sustainability challenges that impact either society or the environment:

- **Environmental:** Cleaner Energy, Efficiency, Environmental Services, Sustainable Transport & Water Management
- **Social:** Knowledge & Technology, Health, Safety, Sustainable Property and Finance, and Quality of Life

Negative Screens: Tobacco, Armaments, Animal Testing, Adult Entertainment, Gambling, Alcohol and Fossil Fuels. Additionally, all companies must comply with the UN's Global Compact 10 Principles².

Engagement: Janus Henderson engage on environmental and social issues. With the aim of communicating their views and enacting improvement in company performance.

BMO Responsible Global Equity

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✓	N/A

Positive Screens: BMO's responsible investment philosophy has three pillars used to identify investment opportunities that contribute to a sustainable future:

1. **Avoid:** Companies with damaging or unsustainable business practises
2. **Invest:** Companies that make a positive contribution to society and the environment
3. **Improve:** Use influence to encourage best practise (engagement)

Negative Screens: Tobacco, Armaments, Adult Entertainment, Gambling and Alcohol.

Engagement: BMO focus on encouraging companies to address strategic issues relating to environmental, social and governance factors. Where necessary, they will take a collaborative approach to engagement.

² For more information on the UN's Global Compact and their Principles, please visit their website:
<https://www.unglobalcompact.org/what-is-gc/mission/principles>



Stewart Investors Worldwide Sustainability

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	○	✓	N/A

Positive Screens: Stewart Investors only invest in companies contributing to a more sustainable future. These are quality companies which they define as companies whose products and services make a valuable contribution to sustainable development, operations have a reduced impact on society and the environment, and a corporate culture of sustainability and continuous improvement.

Negative Screens: The fund has no explicit exclusionary criteria given that social and environmental “bads” are automatically excluded via the positive screens they use.

Engagement: Stewart Investors engage with companies on three key themes: Pollution, Diversity and Remuneration. Where beneficial, typically for larger companies, they also engage on a collaborative basis.

Other Positive Contributions: All members of the investment team sign Stewart Investors’ Hippocratic Oath. In doing so, they pledge to uphold the principle of stewardship throughout their work. The full criteria are available here:

<https://www.stewartinvestors.com/en-gb/stewardship/hippocratic-oath/>

UK Equities

Ninety One (formerly Investec) UK Sustainable Equity

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Impact Investing	✓	✓	✓	✓

Positive Screens: Ninety One only invest in quality companies whose products and services are focused on contributing to a better, more sustainable future for society and the environment. Companies are identified by alignment to Ninety One’s 10 Sustainable themes that support Society and the Environment:

- **Society:** Accessible Finance, Accessible Healthcare, Accessible Education, Societal and Workplace Safety, and Sustainable Infrastructure
- **Environment:** Climate Change and Clean Energy, Water, Protecting Eco-Systems, Efficient Use of Resources, and Energy Efficiency

Negative Screens: Alcohol, Gambling, Tobacco, Controversial Weapons, Adult Entertainment, and Heavy Extractive Industries.

Engagement: Ninety One engage with companies on a variety of ESG issues to reduce any negative impacts a company may have.

Impact Reporting: Ninety One measure the positive impact associated with portfolio investments and this is reported in their annual impact report to investors: <https://ninetyone.com/en/united-kingdom/funds-strategies/uk-sustainable-equity-impact-report#form>

Royal London Sustainable Leaders Trust

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✓	N/A

Positive Screens: Royal London has 4 core investment principles – 2 Sustainable and 2 Financial. Companies will not be invested in that do not meet all four principles. Companies are considered sustainable if:

- **Products and Services** support the transition to a more sustainable future
- **ESG Leaders** in corporate governance and their impact on society and the environment

Royal London's model company is well run, socially desirable and has a positive impact on the environment.

Negative Screens: Tobacco, Armaments, Animal Testing, Adult Entertainment, Gambling and Alcohol.

Engagement: Royal London engage with companies regarding corporate behaviour (remuneration and board structure) and other social and environmental issues. Where beneficial, they also engage collaboratively, typically for larger companies.

SUSTAINABLE

Products and Services

Cleaner, healthier, safer, more inclusive society

ESG Leadership

Encouraging good corporate behaviour

FINANCIAL (EQUITY)

Value creation

Return ahead of cost of capital

Valuation

Paying a fair price

Liontrust Sustainable Future UK Growth

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✓	N/A

Positive Screens: Liontrust invest with the goal of identifying companies who are making a positive contribution to the economy by making it cleaner, healthier or safer.

Negative Screens: Tobacco, Armaments, Animal Testing, Adult Entertainment, Gambling, Greenhouse Gases and Fossil Fuels.

Engagement: Liontrust engage with companies on their business conduct, ESG reporting and gender diversity. They also vote all their underlying holdings.

Emerging Market Equities

Candriam SRI Equity Emerging Markets

**Not available to Sustainable World clients on the Nucleus platform*

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✓	N/A

Positive Screens: Candriam only invest in companies whose products and services contribute to at least one of 6 global sustainability trends: Climate Change, Resource Depletion, Health & Wellness, Demographic Evolution, Developing Economies and Inter-connectivity.

Negative Screens: Tobacco, Armaments, Adult Entertainment, Gambling & Alcohol.

Engagement: Candriam engage with companies on a wide range of topics including labour standards, company disclosures and board independence. Where appropriate, Candriam will also engage collaboratively.



BMO Responsible Global Emerging Markets

*Not available to Sustainable World clients on the Wealthtime platform

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✓	N/A

Positive Screens: BMO look to invest for the future, and take a 3 step approach to sustainable investing:

1. **Invest:** only in companies that make a positive contribution to society and the environment
2. **Avoid:** companies with damaging / unsustainable business practises
3. **Engage:** use influence to encourage best practise via engagement and voting.

A positive contribution is identified as impacting one of 6 global shifts: Health & Well-Being, Food & Nutrition, Energy Transition, Responsible Finance, Sustainable Infrastructure, and Technological Innovation.

Negative Screens: Tobacco, Armaments, Adult Entertainment, Gambling & Alcohol



Nomura ACI Emerging Markets Sustainable Impact

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✓	N/A

Positive Screens: Nomura ACI only invests in companies whose products and services are making a direct contribution to one of the UN's 17 Sustainable Development Goals.

Negative Screens: Violation of UN Global Compact, Norwegian Government Pension fund exclusions³ list and materially involved in Alcohol, Gambling, Weapons and Adult Entertainment.

Engagement: Nomura ACI engage with companies on a wide range of environmental and social issues. Where appropriate, companies are also engaged with regarding contribution of their products and services to the UN's Sustainable Development Goals.

Other Positive Contributions: American Century Investments (ACI) are part owned by the Stowers Institute for Medical Research⁴. The Institute's Mission is "To make a significant contribution to humanity through medical research by expanding our understanding of the secrets of life, and by improving quality of life through innovative approaches to the causes, treatment and prevention of diseases". The part ownership means dividends paid by ACI are paid directly to the institute to support their research. To date, over USD\$1bn has been contributed this way.



³For more information on this list, please visit: <https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/>

⁴For more information on the foundation and their work, please visit their website: <https://www.stowers.org/>

Global Listed Infrastructure

Foresight Global Real Infrastructure

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✓	N/A

Positive Screens: Foresight only invest in companies having a net positive benefit on society and the environment. This is identified through a detailed sustainability analysis of underlying assets. Additionally, Foresight specialise in the renewable energy sector in both private and public markets and as a result invest heavily in this space.

Negative Screens: Companies that violate the UN's 10 Global Compact Principles which considers Human Rights, Labour Standards, the Environment and Corruption.

Engagement: Foresight engage with all underlying companies and specifically engage with senior ESG leads at companies to monitor ESG related considerations.

Further Note on Infrastructure as an Asset Class: Infrastructure as an asset class may not immediately seem like the most "Sustainability Focused" area to invest given associations with utilities, energy, and airports. However, infrastructure is often cited as a key development / investment area for the development of a more sustainable future. Examples include: Several of the UN's SDGs are related to infrastructure, in particular SDG 9: Industry, Innovation and Infrastructure. Many of our active sustainability managers identify infrastructure as a key investment theme.

Global Property

Sarasin Sustainable Global Real Estate Equity

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	N/A	✓	N/A

Positive Screens: Sarasin focus on best in class companies within the best in class industries. Best in class industries are those having the biggest impact on society and the environment, and best in class companies are those best able to deal with specific environmental and social risks.

Real estate specific criteria include: energy efficiency, building materials, energy efficient construction and maintenance, connections to public transport, labour standards and responsible land use.

Negative Screens: Sarasin invests in a broad range of real estate related equities only, as such negative screens are not applicable for this fund.

Engagement: Sarasin engage directly and collaboratively with boards on a wide range of strategic ESG aspects as well as utilising their votes.

Emerging Market Bonds

PIMCO Emerging Markets Bond ESG

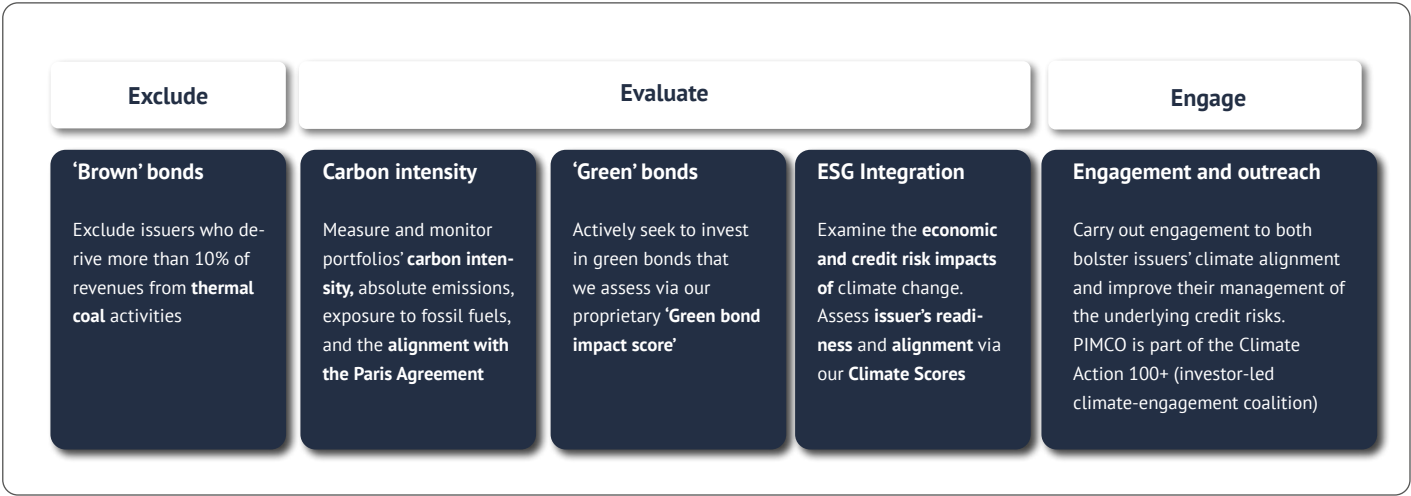
Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✓	N/A

Positive Screens: PIMCO’s ESG process is centred around the Three E’s:

- 1. Exclude:** restrict investment in issuers with misaligned sustainability practises
- 2. Evaluate:** emphasise best-in-class ESG issuers and prime ESG engagement candidates
- 3. Engage:** collaboratively to change ESG-related business practise.

Negative Screens: Weapons production & manufacturing, Tobacco, Adult Entertainment, Coal and coal fired generation, Oil sands extraction, governments sanctioned by UN Security Council and violations of UN Global Compact Principles, UN Guiding Principles of Business and Human Rights or International Labour Organisation Conventions. Plus Dynamic exclusions based on individual issuers and sectors.

Engagement: PIMCO engage with issuers on various Environmental, Social and Governance issues. Fixed income engagement has traditionally been challenging, but due to PIMCO’s scale they are able to effectively engage on an ongoing basis.



Global Corporate Bonds

PIMCO Climate Bond

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✓	N/A

Positive Screens: PIMCO Climate Bond is focused on supporting the transition to a net-zero carbon economy. This is achieved by investing in 3 types of bonds:

1. **Green Bonds:** bonds issued explicitly for climate/environmental related projects
2. **Unlabelled Green Bonds:** bonds issued by companies providing climate solutions such as renewable energy generation
3. **ESG Leaders:** issuers at the forefront of the net zero transition

Negative Screens: Weapons production & manufacturing, Tobacco, Adult Entertainment, Coal and coal fired generation, Oil sands extraction, governments sanctioned by UN Security Council and violations of UN Global Compact Principles, UN Guiding Principles of Business and Human Rights or International Labour Organisation Conventions. Plus Dynamic exclusions based on individual issuers and sectors.

Engagement: PIMCO engage with issuers on various Environmental, Social and Governance issues. Fixed income engagement has traditionally been challenging, but due to PIMCO's scale they are able to effectively engage on an ongoing basis.

Rathbone Ethical Bond

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Exclusions	✗	✓	✗	N/A

Negative Screens: Tobacco, Armaments, Animal Testing, Adult Entertainment, Gambling and Alcohol.

Other Positive Contributions: Where appropriate, Rathbone aim to invest a small portion of the portfolio in impact bonds. These are issues having a direct impact on society and the environment such as social housing.



Government Bonds

Wellington Global Impact Bond

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Impact Investing	✓	✓	✓	✓

Positive Screens: Wellington invests primarily in debt issued by companies and organisations, that through their core products, services and projects, address one of the following investment themes:

1. **Life essentials:** Affordable housing, clean water and sanitation, sustainable agriculture and nutrition, health
2. **Human Empowerment:** Safety and security, education and job training, digital divide, financial inclusion
3. **Environment:** Alternative energy, resource efficiency, resource stewardship

Negative Screens: Weapons and Fire Arms, Tobacco or Alcohol, Coal, Oil or Nuclear Power, Gambling and Transgenic Food.

Engagement: Wellington's ESG Team engage with issuers on various Environmental, Social and Governance issues. They annually conduct a deep-dive portfolio review whereby they will provide feedback and potentially influence issuer behaviour, where required.

Impact Reporting: An annual impact report is published to inform investors of key performance indicators, qualitative measurements and outcomes. Individual metrics can vary company to company, but Wellington ensure some form of impact measurement is included for each company: <https://www.wellingtonfunds.com/en-lu/institutional/insights/global-impact-annual-report-funds/>



Life Essentials



Human Empowerment



Environment

Cash & Short-Term Bonds

NN (L) Green Bond Short Duration

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Impact Investment	✓	✓	✓	✓

Positive Screens: NN (L) only invests in green bonds. Green bonds are debt issued with the sole purpose of funding green projects. NN (L) take this one step further with their "Dark Green" assessment of issuers ensuring the green bonds invested in are aligned to The Green Bond Principles⁵ and The Climate Bond Initiative⁵.

Negative Screens: Thermal Coal, Oil Sands, Shale Energy, Tobacco, Controversial Weapons, Small Arms, Military Contracting, Gambling, Arctic Oil and Exploration, Fur and Speciality Leather, Adult Entertainment, Nuclear Energy, and Fossil Fuels.

Engagement: NN (L) establish formal engagement programmes with issuers on a variety of topics related to the company as a whole, and individual green bonds.

Impact Reporting: NN (L) report monthly to investors on CO₂ reduction, Renewable Energy Capacity added, and use of proceeds.

⁵The Climate Bond Initiative (CBI) identifies assets and projects required to deliver a low carbon economy compatible with the Paris Agreement targets. For more information visit: <https://www.climatebonds.net/>

TwentyFour Sustainable Short Term Bond Income

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✗	N/A

Positive Screens: TwentyFour take a quantitative approach to positive screening. They use Asset4 as their data source to assess companies on Environmental, Social and Governance factors, and generate an ESG score for issuers. They then apply a qualitative overlay to fill in blanks as well as check for controversies not included in the data. Issuers must meet a minimum ESG score to be considered for inclusion.

Negative Screens: Tobacco, Armaments, Oil & Gas, Adult Entertainment & Carbon Intensive Industries.

Royal London Enhanced Cash Plus

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Exclusions	✗	✓	✗	N/A

Negative Screens: Tobacco, Armaments and Fossil Fuels.

Royal London Short Duration Gilts

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
N/A	N/A	N/A	N/A	N/A

Royal London Short Duration Gilts invests only in UK Government debt and as a result, ESG considerations are not applicable. It is however worth noting, providing capital to the UK government is not necessarily negative from a sustainability perspective. The UK government has many targets and projects that will contribute to a more sustainable economy in the future. However, as the fund itself does not directly target sustainability, we have reduced our allocation to this fund in our most recent rebalance, and expect to reduce the holding of this fund to zero over time as appropriate alternatives become available for the asset class.



PASSIVE FUNDS (Used only in Sustainable World portfolios with a passive tilt)

Global Developed Equities Dimensional Global Sustainable Equity

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✗	N/A

Positive Screens: Dimensional take a quantitative approach to positive screening. Companies are scored based on a variety of Environment, Social and Governance (ESG) criteria, and companies receiving higher scores are overweighted in the portfolio. Companies receiving the lowest scores are excluded all together.

Negative Screens: Tobacco & Armaments.

Vanguard ESG Developed World All Cap Equity

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Exclusions	✗	✓	✗	N/A

Exclusions: Fossil Fuels, Nuclear Power, Adult Entertainment, Alcohol, Gambling, Tobacco, Weapons and Controversies based on UN Global Compact.

UK Equities L&G Future World ESG UK Index

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Sustainability Focused	✓	✓	✗	N/A

Positive Screens: L&G take a quantitative approach to positive screening. Companies are scored using L&G ESG score that uses 28 ESG developed to give a score between 0 (the worst) and 100 (the best). Companies that receive a higher ESG score are then overweighted in portfolios.

Exclusions: Coal Miners, Controversial Weapons Manufacturers, and Offenders of UN Global Compact.



Emerging Market Equities

Vanguard ESG Emerging Markets All Cap Equity

Responsibility Component	Positive Screens	Negative Screens	Engagement	Impact Reporting
Exclusions	✗	✓	✗	N/A

Exclusions: Fossil Fuels, Nuclear Power, Adult Entertainment, Alcohol, Gambling, Tobacco, Weapons and Controversies based on UN Global Compact.





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Our purpose is to help advisers achieve financial security and wellbeing for their clients.

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Our passion is for people and our ability to positively influence lives. Our team, our adviser partners and their clients, and our communities.

MISSION

Our mission is to link precision investment management to expert financial advice - through technology & strategic partnerships with advisers.

VISION

Our vision is to lead in advice-linked investment management, and build a sustainable business of which all stakeholders are proud.

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