



Our position on harmful and controversial products and services

Stewart Investors Sustainable Funds Group invests in the shares of high quality companies that are well positioned to benefit from and contribute to sustainable development.

We believe that fully incorporating sustainability considerations into our investment process is the best way to protect and grow capital for clients. As an output of our bottom-up investment process, we do not invest in companies with material exposure to harmful products and services, or who fail to discharge their environmental stewardship and human rights responsibilities.

All members of Stewart Investor's investment team sign our Hippocratic Oath, which includes the commitment that we will not pursue risk-adjusted returns to the extent that our actions will knowingly harm others. In accordance with our investment philosophy and strategy, the investment team is responsible for avoiding the allocation of client capital to harmful activities.

Thresholds

We do not use quantitative thresholds in the quality assessment of companies in our investment process. For example, we prefer companies to manage their balance sheets conservatively but do not set specific debt thresholds. Our analysts and portfolio managers must be able to justify, and are accountable for, the decisions they make.

However, for harmful products and controversial industries, we appreciate that our clients reasonably expect clarity on what exposures they may have to negative activities. The table beginning on page two includes information on the activities and practices we find inconsistent with our investment philosophy. We have set a materiality threshold for direct involvement in the relevant activities of 5% of revenue. For tobacco production and controversial weapons the threshold is 0% of revenue.

Transparency and exceptions

We will be transparent about our portfolio holdings. In rare instances, we may make investments where exposure is above the 5% threshold, but in those cases we will disclose our reasoning for maintaining that holding.

As our focus is on companies well-positioned for sustainable development, the reasons for such holdings could include indirect involvement, for example, a company which provides safety products to a wide range of industries also providing those products to the fossil fuel or defence industry. Exceptions may also relate to legacy activities which are being wound down. In those cases we will engage with the company and encourage them to exit those activities.

Monitoring

We employ the services of an external environmental, social and corporate governance (ESG) research provider who reviews our portfolios and provides six-monthly reporting on company involvement in harmful industries and breaches of social norms, like those found in the UN Global Compact. These reports are reviewed by the investment team. We also receive regular updates from controversy monitoring service RepRisk.

While for some of these activities revenue thresholds are possible, in others like environmental stewardship, ethical conduct and tax practices, judgement and knowledge of the company are required. We believe that in many cases engagement can be an effective lever for change. Where we agree with issues raised by our external ESG research providers, we will endeavour to engage with the company in question. However if the issue is verified and engagement shows no prospect of change, we will divest to ensure the portfolio continues to meet the principles which sit at the heart of our investment philosophy.

Issue

Our approach

(5% threshold unless otherwise stated)

Environmental issues

Environmental impacts and considerations are an integral part of our bottom-up research into companies.

Fossil fuels

We do not invest in companies materially involved in the exploration, production or generation of fossil fuel energy.

Nuclear power

We do not invest in companies materially involved in nuclear energy.

Environmental stewardship

We expect all companies we invest in to take their environmental stewardship responsibilities seriously in line with the Global Compact and other global standards. We do not invest in companies that wilfully or persistently neglect these responsibilities.

Social

Human rights and wellbeing considerations are an integral part of our bottom-up research into companies.

Alcohol (production)

We do not invest in companies materially involved in the production of alcohol products.

Tobacco (production)

We do not invest in companies involved in the production of tobacco. 0% of revenue threshold.

Gambling (retail involvement and services)

We do not invest in companies materially involved in gambling operations or the provision of gambling opportunities.

Pornography (production and sales)

We do not invest in companies involved in the production or materially involved in the distribution of pornography.

Animal welfare (agriculture)

Animal welfare considerations are an integral part of our bottom-up research into companies. We invest in companies with sound track records of animal welfare and avoid companies that export live animals, have cruel production practices (e.g. factory farming) or engage in the trade of controversial animal products such as ivory.

Animal testing (cosmetics, chemicals, household products etc.)

We invest in some companies that undertake animal testing during the production of some consumer, medical, chemical and home and personal care products in circumstances where (1) animal testing is done in accordance with ethical principles, policies, protocols and standards for the responsible treatment and welfare of animals; (2) animal testing is required by regulatory agencies to limit risks to human lives and health; (3) products require ingredients for which no suitable alternative methods of testing are available.

Sexual and reproductive health and rights

We respect well-established human rights including those related to sexual and reproductive health. These rights integrate the full range of peoples' needs and services including sexual well-being, personal autonomy and bodily integrity. We appreciate abortion is controversial for some clients, however, we respect the rights of women to make these difficult decisions for themselves. We avoid companies that discriminate against or seek to impinge on those rights, particularly for their workers.

Genetic research and stem cells	We appreciate the use of embryonic stem cells is controversial for some clients. We may have investment exposure to pharmaceutical companies that undertake research involving human embryonic and adult stems cells for the development of medicines to prevent or alleviate serious medical disorders. These companies must comply with the highest ethical, safety and regulatory standards and collaborative agreements for such research, and they must not be involved in research for the reproductive cloning of human beings or animals.
Human rights	Human rights considerations are an integral part of our bottom-up research into companies. We do not invest in companies with poor records in relation to globally accepted human rights norms and standards. This includes issues such as modern slavery, child labour, land grabs, indigenous rights and community impacts.
Ethical employment practices including discrimination	Ethical employment practices and considerations are an integral part of our bottom-up research into companies. We invest in companies with ethical and non-discriminatory employment practices. Human capital performance is also critical and indicators such as employee compensation, gender equity and diversity, employee turnover rates and safety records can be particularly insightful when evaluating people-related risks.
Armaments (weapons, strategic and non-strategic products)	We do not invest in companies that are materially involved in the manufacture of armaments. This includes both controversial weapons such as landmines and cluster munitions, and other armaments such as hand guns. 0% of revenue threshold for weapons covered under the Ottawa (anti-personnel mines) and Oslo Conventions (cluster munitions). ¹
<p>Governance</p> <p>The integrity and ethical conduct of companies is an integral part of our bottom-up research into companies.</p>	
Oppressive regimes (companies who have dealings with oppressive regimes)	Integrity considerations and the risks companies face when dealing with governments and other counterparties are an integral part of our bottom-up research into companies. We avoid companies that might be compromised in their dealing with such governments.
Bribery and corruption	We do not invest in companies where there appears to be cultural or systemic weaknesses that can lead to bribery and corruption being perpetrated.
Tax	We monitor the tax paid by the companies we invest in and engage with companies where we have concerns around levels of tax paid. We will not invest in companies where tax practices are persistently and systematically designed to undermine the integrity of tax systems. We believe the underpayment of tax (even where it may meet the letter if not the spirit of the law) exposes companies to the risk of regulatory or consumer backlash.
Ethical conduct (customers, employees, suppliers and competitors)	The ethical conduct of companies in dealing with its customers, suppliers and competitors is an integral part of our bottom-up research into companies. Companies that abuse these relationships are equally likely to treat minority shareholders poorly, in addition to introducing significant risks of regulatory and consumer responses or compromising the sustainability of their supply chains.

¹ The Ottawa Convention, also know as the Mine Ban Treaty is the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction. It was adopted in 1997 and it entered into force on 1 March 1999.

The Oslo Convention is the Convention on Cluster Munitions. It was adopted in 2008 and came into force on 1 August 2010.

Investment terms

View our list of [investment terms](#) to help you understand the terminology within this document

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For more information please contact:

client.engagement@stewartinvestors.com

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