



STONEHAGE FLEMING INVESTMENT MANAGEMENT UK INVESTMENT SCREENING AND EXCLUSIONS POLICY FOR SF GLOBAL BEST IDEAS EQUITY FUND

1. SCOPE AND SUMMARY

This document is specific to the management of the [Stonehage Fleming Global Best Ideas Equity](#) and all affiliated [segregated portfolios](#) where the same investment management team has discretionary power to engage with companies on a client's behalf. This document will refer to these collectively as "GBI", the "GBI product" and/or the "GBI team". GBI (and related products) are part of the Global Equity Management ("GEM") division of Stonehage Fleming Investment Management UK ("SFIM-UK").

This policy presents environmental, social and governance (ESG) related investment screenings and exclusions applied to GBI, listing activities that can lead to an exclusion from the investment universe and detailing the applied screening and review process.

GBI applies activity based, norms based and positive screening. Screening criteria violations are screened for at the investee company level, checking for revenue exposures above specified thresholds. This process can result in companies being excluded from the GBI Fund's investment universe. Engagement is our first priority wherever a screening criteria breach is identified, with redeeming our investments being the last resort escalation measure.

This document outlines the general characteristics and approach to investment screening and exclusions for the GBI fund.

2. AMBITION

SFIM-UK and the GBI team are committed to a purposeful management of assets entrusted to us by our clients. We embrace the notion that social, intellectual and cultural capital are as important to long-term, sustainable and intergenerational wealth creation as financial capital (see Group's [4 Pillars of Capital](#)). We therefore want to be aware of the positive and negative contributions to communities and wider society that our investments make and of investment ESG risks, and incorporate this information into our investment and research process. This also enables us to engage with evolving investment preferences that increasingly demand clear disclosures on ESG ambitions and impacts of investments.

For this reason, we have enacted this Investment Screening and Exclusions Policy, which aims to ensure our investments align with our fundamental investment convictions and reduce ESG related investment risks.

3. DEFINITIONS

GBI applies general as well as investment strategy specific screenings and exclusions. We apply definitions as provided by UN PRI. An investment screening is defined as:

“Applying filters to a universe of securities, issuers, investments, sectors, or other financial instruments, to rule investments in or out based on pre-specified criteria which might include an investor’s preferences or investment metrics and are part of an investment process or reflect a client or fund mandate.”

The types of screenings applied by SFIM UK are negative and norms based, following the below UN PRI definitions:

- **Negative Screening/Exclusions**
Applying filters to a universe of securities, issuers, investments, sectors, or other financial instruments to rule them out based on poor performance on ESG factors relative to industry peers or specific environmental, social or governance criteria. This may include ruling out particular products, services, regions, countries, or business practices.
- **Norms-based Screening**
Applying filters to a universe of securities, issuers, investments, sectors, or other financial instruments based on minimum standards of practice aligned with international norms. Widely recognised frameworks for minimum standards of practice include the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council Sanctions, or the UN Global Compact.

Exclusions violations are screened at the company level independently of the GBI team by the SFIM-UK Risk Team. If a company within the GBI Fund, or proposed for the GBI Fund is breach any of the applicable screening criteria a review process will be started that can lead to this company or fund being put under observation or being excluded from the investment universe.

4. RELEVANCE

ESG covers a wide range of environmental, social and governance factors that might impact an investment’s value, either by impacting its risk and development profile, or by having a direct and immediate impact on its financial performance. This might be due to changing regulatory regimes or as a result of environmental, social or corporate governance related events such as climate change related extreme weather events, labour conflicts or corruption scandals, to name a few. ESG is also about an investee company’s impact on the environment and societies, e.g. through pollution or employment practices, and thereby covers both impacts on and by an investment.

As a consequence, ESG screenings and exclusions are about managing risk and defining expected performance and business practice baselines. They can both protect against the most severe ESG risks impacting investments, while also signalling fundamental investment and stewardship convictions relating to the risks of investments generating negative social or environmental impacts through their ESG performance.

5. APPROACH – SCREENING AND EXCLUSION

The GBI Fund will be externally screened by the SFIM-UK Performance & Risk team on a quarterly basis to quantify the % of aggregated revenues of the fund holdings from the following categories/sectors (for monitoring activity based exclusions):

- **Controversial armaments:** tailor-made and essential component makers of anti-personal mines, biological and chemical weapons, cluster weapons, depleted uranium, nuclear weapons and white phosphorous.
- **Tobacco:** companies making tobacco products using tobacco dried plants, for smoking or ingestion.
- **Thermal coal (energy coal, steam coal):** extraction/mining of coal used for power generation.

The GBI Team will conduct a quarterly review the fund holdings for potential breaches of the UN Global Compact using a combination of RepRisk and its own in-house research capabilities (norms-based exclusions).

The GBI team has set the following thresholds for this screening, above which exclusions will apply:

	Product Category	Maximum Revenue Threshold
Activity Based Exclusions	Controversial Armaments	0%
	Tobacco Products	5%
	Thermal Coal Extraction	5%
Norms Based Exclusions	UN Global Compact	Most Severe Violations

A threshold breach does not result in automatic corrective action being required. For Activity Based Exclusions, any excess revenue incident will require full review by the GBI Team of the companies in the GBI Fund contributing to the breach. This analysis and discussion will be conducted in the bi-monthly GBI Investment Committee ESG Risk meeting, and may result in corrective measures being taken to reduce the exposure. Should the GBI Team conclude that an exception to the breach can be made then the rationale for this decision must be presented to the SISC who will approve or deny the exception. This is to ensure proper and pragmatic adherence to the exclusions policy.

The norms-based exclusion is subjective. There is no official definition of a severe violation of the principles of the UN Global Compact. The GBI Team will use RepRisk to identify any companies considered at risk of a UNCG violation and conduct all necessary research on the identified issues. The GBI Team will engage with the company on the topics if deemed necessary. If it is concluded that the breach is “most severe”, that the company involved has been directly or negligently responsible for the breach and that the company faces financial and reputational risk from the breach, the holding will be proposed for exclusions. The GBI Investment Committee ESG Risk meeting will determine the course of action to take and will report this to the SISC for approval.

Any portfolio action taken in response to this policy must not contravene the stated objective of the GBI Fund and must be in the best interest of our clients.

6. APPROACH – SISC REVIEW PROCESS

Where an exception to exclusion is proposed: at the next SISC meeting the GBI Team will make a case for why they believe an investment should, following violation, continue to be held. This will require the GBI Team to present clear and concise information, and if observation is suggested provide evidence that supports the following:

- Doubt as to why an exclusion is warranted such as:
 - Minor norms violation, temporary breach of exclusion thresholds or change to corporate structure

- Reasonably expected positive future developments that might warrant ongoing observation such as:
 - Transparency or clearly communicated vision regarding realistic targets and evidenced progress on reducing exposure to controversial activities or norms violations to acceptable levels

- Otherwise material reason for ongoing observation such as:
 - Evidence for robust policies or management practices that reduce risks or likelihood of negative environmental and community impacts of involvement in controversial activity or of norms violations

As the aim of our exclusion and screening policy is to ensure GBI does not have exposure to companies that show norms violations and/or are engaged in activities we deem incompatible with our corporate values and acceptable ESG risk levels, any decision to observe rather than exclude or to remove a company from the exclusion list must be based on sufficiently robust evidence. Financial performance is not considered a sufficient rationale for observation or removal from the exclusion list.

Decisions at SISC are taken as per SISC Terms of Reference.

GBI will within 30 days review and confirm exclusion or observation status. If removed from the investment universe divestment from a company or fund will happen within 60 days.

Our exclusions approach is reviewed and updated annually. Any change requires SISC approval.

Non-compliance with this policy may result in reputational damages or fines for SFIM. It will therefore be treated as a breach of code of conduct and may result in disciplinary actions being taken.

For further information on the SFIM investment screening and exclusions process please contact us.

7. PRE-TRADE APPROACH

Prior to investing in a new name in the Fund the GBI Team may request the SFIM-UK Performance & Risk team to test the category exposure impact of adding the new name at an average portfolio weight. The Test is not compulsory, but is recommended on precautionary grounds.

8. APPROACH – REPORTING

The exclusions and observations process is overseen by the GBI Investment Committee and SFIM-UK's Sustainable Investment and Stewardship Committee (SISC), with SISC having final exclusions policy oversight.

The minutes of the GBI Investment Committee ESG Risk meeting are reported to SISC. The minutes will provide the necessary data and review of the monitoring and actions discussed above.

The SISC does not have discretion over the investment decisions of the GBI Fund and cannot compel the Fund Manager to buy or sell a specific company.

9. SANCTIONED COMPANIES

The GBI Fund will not invest in any sanctioned companies or in companies controlled or influenced by sanctioned individuals.

The GBI Fund is domiciled in Ireland and regulated under EU law. As such it is compelled to comply with Irish and EU sanctions rules:

- Bank of Ireland, Irish Department of Foreign Affairs and EU sanctions: [EU Sanctions \(Restrictive Measures\) - Department of Foreign Affairs \(dfa.ie\)](#)

In addition, due to the Fund's focus on owning Global companies, many other government sanctions lists may apply to the companies we own. As all current and pending investments (and related individuals) must comply with UK, US and UN sanctions rules:

- UK HM Treasury - Office of Financial Sanction Implementation: [The UK Sanctions List - GOV.UK \(www.gov.uk\)](#)
- US Treasury Department – Office of Foreign Assets Control: [Sanctions List Search \(treas.gov\)](#)
- The United Nations sanctions list: [Sanctions | United Nations Security Council](#)

10. POLICY REVIEW

The GBI Investment Committee will review its voting policies on an annual basis at the very least. Ad-hoc reviews and amendments can be made at any time should the need arise, as long as full records and rationales of changes are kept. A record of the annual review will also be maintained.

Date	Subject/Amendment Detail	Approval

