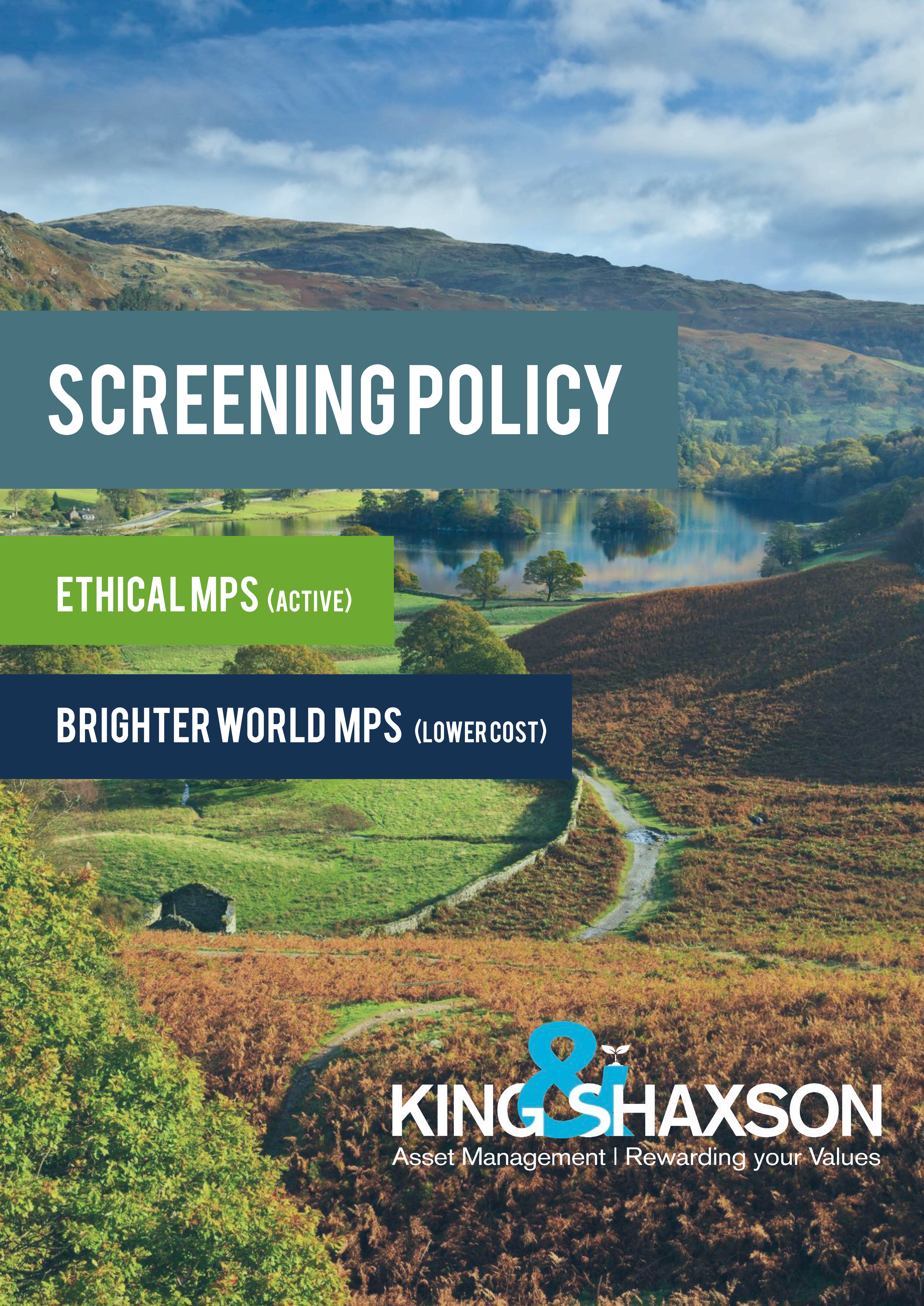

SCREENING POLICY

ETHICAL MPS (ACTIVE)

BRIGHTER WORLD MPS (LOWER COST)

KING & SHAXSON
Asset Management | Rewarding your Values

ETHICS & VALUES

Abiding by the mandate we operate to

At King & Shaxson Asset Management, ethical and sustainability screening is as important to us as the financial investment process. We ensure that each investment meets clients' expectations, as we look beyond data gimmicks and simple 'tick box' practices.

Having managed ethical portfolios since 2002, we recognise the need for a good understanding and sound application of a **negative** and **positive screen**. For bespoke portfolios, the screen is supplied by the client, whereas for our range of model portfolios, it is clearly laid out in the documentation.

This combination of filtering out the harmful and including the investments with a positive outcome on society or the environment, has served our clients well since 2002.

The method we use to screen investments includes both a process driven **quantitative** and values-based **qualitative** approach (more of which is covered below).

It is important to note that quantitative **Environmental Social and Governance data** serves the process but does not drive it. Recent examples where a company has received a high third party ESG score, but has subsequently been affected by ESG flags, shows the importance of our internal research to avoid these pitfalls.

Greenwashing is also a prominent threat when investing ethically: where a company or fund markets itself as environmentally friendly, when in fact, it is not.

Whilst growing regulatory scrutiny and frameworks seek to reduce the practice of greenwashing, our twin approach ensures our investments don't fall victim to this practice, particularly for the model portfolios where third party providers are involved.

Our under-the-bonnet screening of funds' underlying holdings, allows us to confidently uphold client expectations. Due to the nature of investing based on more than just ESG data and third-party scores, from time-to-time value judgements will have to be made. In these cases, we will err on the side of caution.

Applying a **financial screen** is necessary to assess if an investment meets our financial criteria of expected performance and returns

+

Applying a **negative screen** makes sure we avoid any company or fund that has significant exposure to, or involvement in, certain negative practices

+

Applying a **positive screen** allows us to seek out investments that are having a positive impact on people and the planet

SCREENING METHOD

We look beyond ESG Ratings, most of the value comes from the underlying analysis and discussion

It is important to note: **Quantitative ESG data serves the process but does not drive it.**

Quantitative

We will examine investments from an Environmental, Social and Governance perspective by using ESG data provided by third party screeners such as MSCI but as well as data from industry sources and focussed pressure groups.

The detailed reports and data sources provide a great deal of information for our screening process. For the model portfolios, where funds are prevalent, data from MSCI provides us a holistic view of overall exposure at a fund level for non-financial data that is material to each company within the fund.

This covers various ESG risk factors such as percentage of exposure to companies with high water risk, those facing social controversies in areas such as labour or human rights, as well as various governance factors such as board diversity.

A key element is the business involvement report which highlights revenue exposure to any activity that is contrary to the negative screens we have in place, such as alcohol or arms production as well as areas such as nuclear power generation.

Importantly, the data will also provide us business involvement from those products or services deemed as having a sustainable impact, highlighting a funds exposure to environmental or social factors, which includes alternative energy, sustainable water, nutrition and education, to name but a few. More of which is covered in the next section.

At this stage, a consideration of a funds overall ESG score will happen, and we are able to provide each model portfolios overall ESG score for reference, whilst reporting on the positive investment themes clients are exposed to.

Qualitative

We do not solely rely on ESG data or business involvement reports for our screening purposes, as all underlying holdings of funds are screened in house to ensure they meet the screening criteria laid out in our documentation.

Outside of the model portfolios, we invest directly into companies within our bespoke portfolios, meaning we have a good understanding of the companies who fall within the investment universe which aligns to our model portfolios.

Our further understanding of underlying companies comes from our qualitative research, which is based on various sources including company disclosures, industry reports, reliable news sources, pressure groups, management meetings etc. Put simply, this will be where we have taken time to truly understand a company's operations and this feeds directly into the screening process of the model portfolios.

On top of this, an important element is gaining an understanding of the screening and investment process of the underlying fund. This aspect includes an ongoing dialogue with the underlying fund manager and their team.

Our approach ensures we have a sound understanding of each investment (fund or company) and the material factors that need to be considered when assessing them. This includes avoiding those that have a material detrimental impact by operating in a manner that promotes profits at all cost.

We know investing is more than just an electronic process, it is something that requires 'a more human approach', so our qualitative overlay is an important part of our screening methodology.

ETHICAL MPS SCREENING (Active MPS)

For our ethical model portfolios, we have implemented a stringent **negative** and **positive** screen to meet the vast majority of investor's concerns (where ethics are more specific, a bespoke portfolio may be required). We pride ourselves on ensuring that each portfolio is constructed to be as 'ethical' as possible within the investment constraints of each portfolio and platform. Whilst all funds have a specific label, we look beyond this to understand each funds approach. This includes conducting ongoing screening of funds where we look 'under the bonnet' at the underlying holdings to ensure they still align with the screen in place. We regularly communicate with fund managers for justifications on holdings, before investing in new funds, and during the time they are held.

At times we may exit holdings if we feel the justification from a fund manager is not sufficient, or a company conducts activity that is against the negative screen in place. Funds are preferred if they demonstrate a rigorous screen. Our ongoing due diligence ensures this is monitored. On top of the negative screen, we favour funds which also have a sustainable focus and sustainable impact label.

Our screening and analysis of underlying companies does go beyond the explicit negative screens highlighted. This additionally means we are seeking to avoid those companies who fall short on client expectations on issues such as **aggressive tax practices**, **intensive farming**, **labour** & **human rights issues**. These issues are at times, hard to quantify with reliable data, but our in-depth understanding of prevalent issues in these areas, means we are able to highlight those companies falling short on these expectations through the under the bonnet screen. Many funds selected will also have explicit policies on issues such as greenhouse gas emissions, human rights and labour violations, as well as responsible ownership/stewardship policies.

Excluded Activity

- ✖ **Adult Entertainment**
- ✖ **Alcohol Production**
- ✖ **Armaments**
- ✖ **Fossil Fuel Exploration & Production**
- ✖ **Gambling**
- ✖ **Nuclear Power Generation**
- ✖ **Major Environmental Concerns**
- ✖ **Tobacco Production**

Our aim is to achieve zero exposure to the above sectors. Whilst our portfolios are not focussed on transition companies, where companies have credible and substantial plans to transition away from excluded activities, and where these plans are already evidently well underway, they may be included in portfolios. E.g. Orsted – a company who have transitioned away from fossil fuels to be one of the largest wind farm operators but who still have a small legacy exposure to fossil fuels.

Targeted Activity

- ✓ **Climate Change**
  (Alternative Energy/Green Building/ Energy Efficiency)
- ✓ **Natural Capital**
  (Sustainable Water/ Sustainable Agriculture/ Pollution Prevention & Control)
- ✓ **Basic Needs**
  (Nutrition/ Sanitation/ Major Disease Treatment)
- ✓ **Empowerment**
  (Education/ Connectivity/ SME Finance)

Specific Company Exclusions

On top of the screens above, we currently have specific exclusions for a number of companies. Facebook (Meta), Apple, Amazon & Google (Alphabet), Alibaba & Tencent - we would seek to avoid these large tech companies due to concerns over social and governance practices. This includes aggressive tax practices, labour issues, supply chain concerns, gaming addiction and data abuse. Some of these companies form a highly significant part of global indices, so it is important the implication of their exclusion (alongside other sectors) is understood.

BRIGHTER WORLD MPS SCREENING (lower cost MPS)

Avoidance

Whilst adhering to a robust negative screen, there is a slight variance to our ethical model portfolios, predominantly through the use of company revenue limits, whilst Nuclear Power generation is permitted in the Brighter World MPS.

The investment universe is broader for the Brighter World MPS, which means inclusion of companies or sectors which the more stringent ethical investor may seek to avoid. For the vast majority of clients, these nuances will be tolerated or be a pragmatic trade-off.

Excluded Activity

Activity	Revenue
✖ Tobacco Production	>0% Revenue
✖ Controversial/Nuclear Weapons	>0% Revenue
✖ Civilian Firearms Production	>0% Revenue
✖ Alcohol Production	>5% Revenue
✖ Adult Entertainment Production	>5% Revenue
✖ Gambling	>10% Revenue
✖ Oil & Gas Extraction/Production	>10% Revenue

ESG Screen

On top of the above exclusions, a best of class ESG screen is applied to the core equity allocation based on a company's overall Environmental, Social and Governance scores, with those scoring poorly being removed from the universe. This is based on MSCI's ESG screening methodology, where ratings are based on material ESG factors specific to a company's sector.

Targeted Activity

- ✓ **Climate Change**
  (Alternative Energy / Green Building / Energy Efficiency)
- ✓ **Natural Capital**
  (Sustainable Water / Sustainable Agriculture / Pollution Prevention & Control)
- ✓ **Basic Needs**
  (Nutrition / Sanitation / Major Disease Treatment / Affordable Housing)
- ✓ **Empowerment**
  (Education / Connectivity / SME Finance)

Positive Inclusion

Companies targeting positive environmental or social outcomes will be sought, predominantly through the core Sustainable Development Goal index and thematic exposure.

We will report to investors on portfolios alignment to MSCI's sustainable taxonomy, which aligns with many of the United Nation's Sustainable Development Goals. This allows investors to understand the positive outcomes their capital is aligned to.

Highlighting the nuances in the screen

Given the broader exposure through the core equity allocation, and based on our historical understanding of client demand, there will be exposure to companies, sectors and regions that some clients may have ethical concerns with, predominantly for environmental or social reasons. This may be due to historical controversies that have led some of the more stringent investors to seek avoidance. This includes exposure to large miners, retail companies selling sugary drinks or cosmetics, or greater exposure to regions such as China. Where this isn't a pragmatic trade-off, clients may be better suited to our existing ethical MPS.

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