

SIMPS **exclusions** and **tolerances**

SIMPS portfolio **screening**

Our investment approach is centred around delivering **risk-adjusted returns** and **positive impact** through the active selection of sustainable investments. We seek to invest in responsible and impactful companies that are providing solutions to major global challenges, in line with the United Nations Sustainable Development Goals (SDGs).

We use Environmental, Social and Governance (ESG) as a starting point to assess the risks within a company and its core products/services, whilst screening out companies involved in serious controversies. We go beyond a company's ESG rating with an in-depth fund manager due diligence process that provides us with full transparency on each fund's strategy, performance and engagement with their holdings. Every fund manager we work with has exclusion policies in place to minimise exposure to controversial industries. This exposure is either direct or indirect, where they are indirectly involved due to the sale or distribution of a product or service, such as a supermarket selling tobacco. We track underlying fund holdings closely to ensure these policies are being observed and we are made aware of any issues.

Occasionally we'll have exposure to a company involved in what we term 'legacy' activities - those that work against the SDGs - as the company transitions to become more sustainable and impactful. We don't tolerate substantial negative externalities

and are committed to ensuring that exposure to activities or products undermining the SDGs remain minimal, if not at absolute zero.

Exposure to **controversial industries** within the SIMPS portfolios

Checked quarterly. Last checked - October 2022

We hold **0% tolerance** for **direct exposure** to alcohol, armaments, tobacco, gambling, adult entertainment, GMO crops and coal, oil and gas extraction.

We hold small tolerance levels for **indirect exposure** to some controversial industries, 5% or less, allowing only a small proportion of (indirect) revenue to come from those activities.

All % tolerances are at the **portfolio level** as opposed to proportion of company revenue. This means that no more than 5% of the portfolio (in weight) is exposed to companies with **any involvement** in a particular activity.

We've taken a conservative approach by counting the **entire weight** of any company with **any level** of involvement in these activities, even if it forms a small part of overall revenue generation. For example, imagine Company A makes up 5% of the portfolio and 1% of Company A's annual revenue comes from alcohol manufacturing; we wouldn't say this is 0.05% (5% of 1%). We would tag this as a 5% exposure to alcohol.

SIMPS EXCLUSIONS (DIRECT)

ACTIVITIES (DIRECT)	PORTFOLIO TOLERANCE	EXPLANATION
ALCOHOL	0%	This includes alcohol manufacturers and distilleries. We set an absolute exclusion here.
ARMAMENTS	0%	This includes direct exposure to weapons manufacturers. We set an absolute exclusion here.
TOBACCO	0%	This includes direct exposure to dedicated tobacco farmers and purveyors. We set an absolute exclusion here.
COAL, OIL AND GAS EXTRACTION	0%	This includes direct exposure to upstream oil and gas extraction and pipeline development. We set an absolute exclusion here.
ANIMAL TESTING (MEDICAL)	10%	This includes exposure to companies that may conduct animal testing for pharmaceutical medicines, drugs, or medical devices intended for human use (e.g. biotechnology, pharmaceutical and life science companies). We set a tolerance of 10% at portfolio level and only tolerate those companies with clear and evidential animal welfare programmes in place. In some jurisdictions, animal testing is required by law prior to the commercialisation of some medical and non-medical products.
ANIMAL TESTING (NON-MEDICAL)	5%	This includes exposure to companies that may conduct animal testing for non-medical products such as chemicals, food or personal care products. Our SIMPS portfolios have minimal if any exposure to beauty and personal care brands. In some jurisdictions, animal testing is required by law prior to the commercialisation of some medical and non-medical products.
GMO CROPS	0%	This includes direct exposure to companies involved in the development, sales and marketing of genetically modified crops and/or ingredients. We set an absolute exclusion here.
GAMBLING	0%	This includes companies involved in the development, sales and marketing of gambling products. We set an absolute exclusion here.
ADULT ENTERTAINMENT	0%	This includes companies involved in the creation and distribution of adult entertainment services and products. We set an absolute exclusion here.

SIMPS EXCLUSIONS (INDIRECT: EXPOSURE VIA THE SALE OR DISTRIBUTION OF A CONTROVERSIAL ACTIVITY)

ACTIVITIES (INDIRECT)	PORTFOLIO TOLERANCE	EXPLANATION
ALCOHOL	5%	This includes exposure to the sale of alcohol from supermarkets and other retailers. We set a tolerance of 5% at portfolio level.
ARMAMENTS	2%	This includes exposure to weapons manufacturers through supply chains that may include, as an example, the use of design software and renewable energy technology (e.g. solar PV), as well as the sale of security storage solutions (e.g. gun cabinets) and the provision of technical consulting services (e.g. environmental remediation). We set a tolerance of 2% at portfolio level.
TOBACCO	5%	This includes exposure to the sale of tobacco from supermarkets and other retailers. We set here a tolerance of 5% at portfolio level.
ELECTRICITY GENERATION (COAL)	5%	This includes exposure to electrical utilities using coal as part of a multi-fuel mix. We set a tolerance of 5% at portfolio level and only tolerate those companies with clear and credible low carbon transition pathways in place.
ELECTRICITY GENERATION (OIL)	5%	This includes exposure to electrical utilities using oil as fuel as part of a multi-fuel mix. We set a tolerance of 5% at portfolio level and only tolerate those companies with clear and credible low carbon transition pathways in place.
ELECTRICITY GENERATION (GAS)	5%	This includes exposure to electrical generation and distribution networks using gas as fuel, either dedicated or as part of a multi-fuel mix. We set a tolerance of 5% at portfolio level and only tolerate those companies with clear and credible low carbon transition pathways in place.
ELECTRICITY GENERATION (NUCLEAR)	5%	This includes exposure to electrical utilities using nuclear as fuel, either dedicated or as part of a multi-fuel mix. We set a tolerance of 5% at portfolio level and only tolerate those companies with a clear pathway to clean and affordable energy that is not predicated on a 100% nuclear mix.
GAMBLING	5%	This includes exposure to gambling facilities located within hospitality venues (e.g. hotels), where these facilities don't comprise a core part of a company's activities. We set a tolerance of 5% at portfolio level.
ADULT ENTERTAINMENT	5%	This includes companies that may facilitate the distribution of adult entertainment services and products through third party channels (for example, telecommunication and broadcasting services and online digital marketplaces). We set a tolerance of 5% at portfolio level.

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