



PORTFOLIO/METRIX  
Investment Management **by Design**

# THE SUSTAINABLE WORLD PORTFOLIOS

## A PortfolioMetrix Client Guide

March 2021

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



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# 1. THE PORTFOLIOMETRIX SUSTAINABLE WORLD PORTFOLIOS



**NOTE:**

The information below is aimed at advisers, professional investors and advised clients, who should consult their adviser if they have any questions.

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 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 CO<sub>2</sub> emissions (please see Frequently Asked Questions 3 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.

**Figure 7: The PortfolioMetrix Approaches**








\* PMX Factor Based would also fit here.

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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions with a clear path to be coal free by 2023 (with CO<sub>2</sub> 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 traditional funds. This cost difference is primarily due to the additional research costs incurred in the process of sustainability analysis when compared to traditional financial analysis.

As well as traditional financial analysis, sustainable funds have to go a step further to understand how company products, services and business practises impact society and the environment. On top of this, sustainability focused funds typically engage with companies in order to help improve a company's products, services and business practises. All of this additional specialist research and activity has a cost.

## 6. 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.

## 7. 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 pharmaceutical 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  | Candriam SRI Bond Euro Short Term               | Sustainability Focused   | ✓                | ✓                | ✓          | N/A              |
|                          | NN (L) Green Bond Short Duration                | Impact Investing         | ✓                | ✓                | ✓          | ✓                |
|                          | Robeco Global Credits Short Maturity            | Exclusions               | ✗                | ✓                | ✗          | N/A              |
|                          | TwentyFour Sustainable Short Term Bond Income   | Sustainability Focused   | ✓                | ✓                | ✗          | N/A              |
| Government Bonds         | PIMCO Global Bond ESG                           | Sustainability Focused   | ✓                | ✓                | ✓          | N/A              |
| Corporate Bonds          | Robeco Global SDG Credits                       | Sustainability Focused   | ✓                | ✓                | ✓          | N/A              |
|                          | PIMCO Global Investment Grade Credit ESG        | 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         | ✓                | ✓                | ✓          | ✓                |
|                          | Mirova Global Sustainable Equity                | Sustainability Focused   | ✓                | ✓                | ✓          | N/A              |
|                          | Montanaro Better World                          | Impact Investing         | ✓                | ✓                | ✓          | ✓                |
|                          | Stewart Investors Worldwide Sustainability      | Sustainability Focused   | ✓                | ○                | ✓          | N/A              |
|                          | WHEB Sustainability                             | Impact Investing         | ✓                | ○                | ✓          | ✓                |
|                          |   |                          |                  |                  |            |                  |
| Emerging Market Equities | Candriam SRI Equity Emerging Market             | Sustainability Focused   | ✓                | ✓                | ✓          | N/A              |
|                          | BMO Responsible Global Emerging Markets Equity  | Sustainability Focused   | ✓                | ✓                | ✓          | N/A              |
|                          | Nomura ACI Emerging Markets Sustainable Impact  | Sustainability Focused   | ✓                | ✓                | ✓          | N/A              |
| Listed Infrastructure    | First Sentier Responsible Listed Infrastructure | Sustainability Focused   | ✓                | N/A              | ✓          | N/A              |
| Property                 | Sarasin Sustainable Global Real Estate Equity   | Sustainability Focused   | ✓                | ✓                | ✓          | N/A              |

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

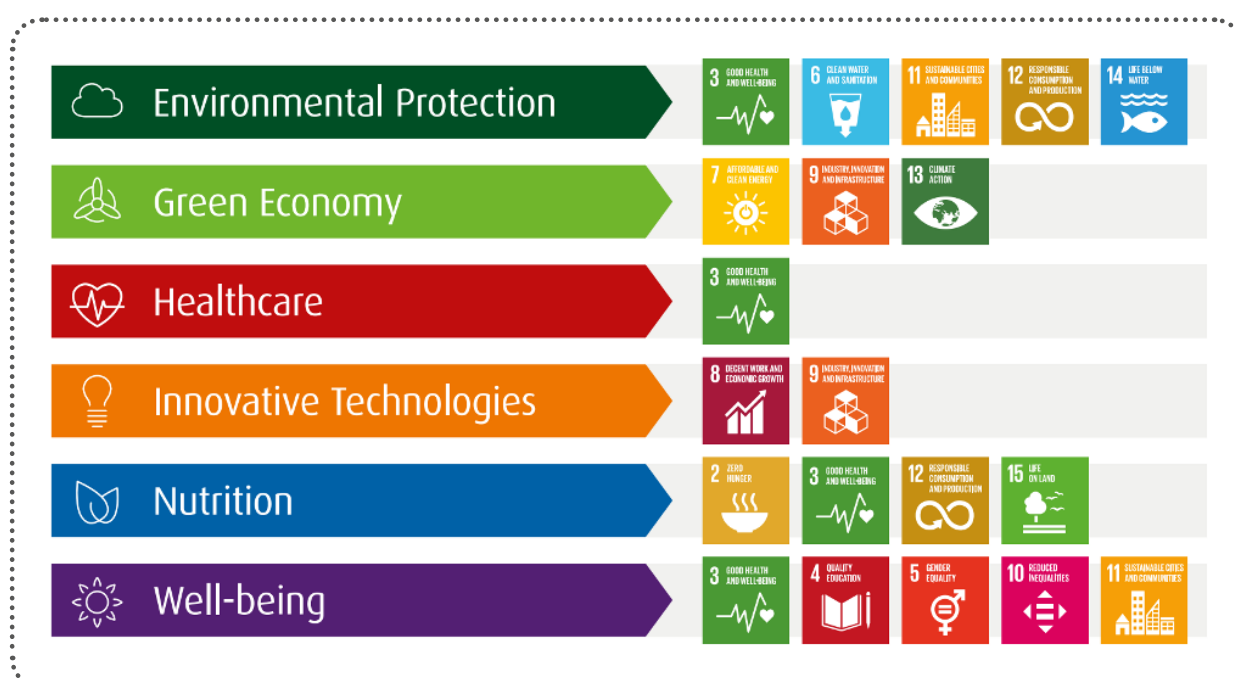
**Positive Screens:** Montanaro have identified 6 core themes that directly contribute to supporting the UN's Sustainable Development Goals<sup>1</sup> (UN SDGs): Environmental Protection, Low Carbon Economy, Healthcare, Innovative Technologies, Nutrition and Well-Being. Montanaro will only invest in 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.



<sup>1</sup> 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 and 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:** The measurement framework is focused on the positive impact of the companies’ products and services.




**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 under-served populations



**Water**

Preservation of and access to water



# Mirova Global Sustainable Equity

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

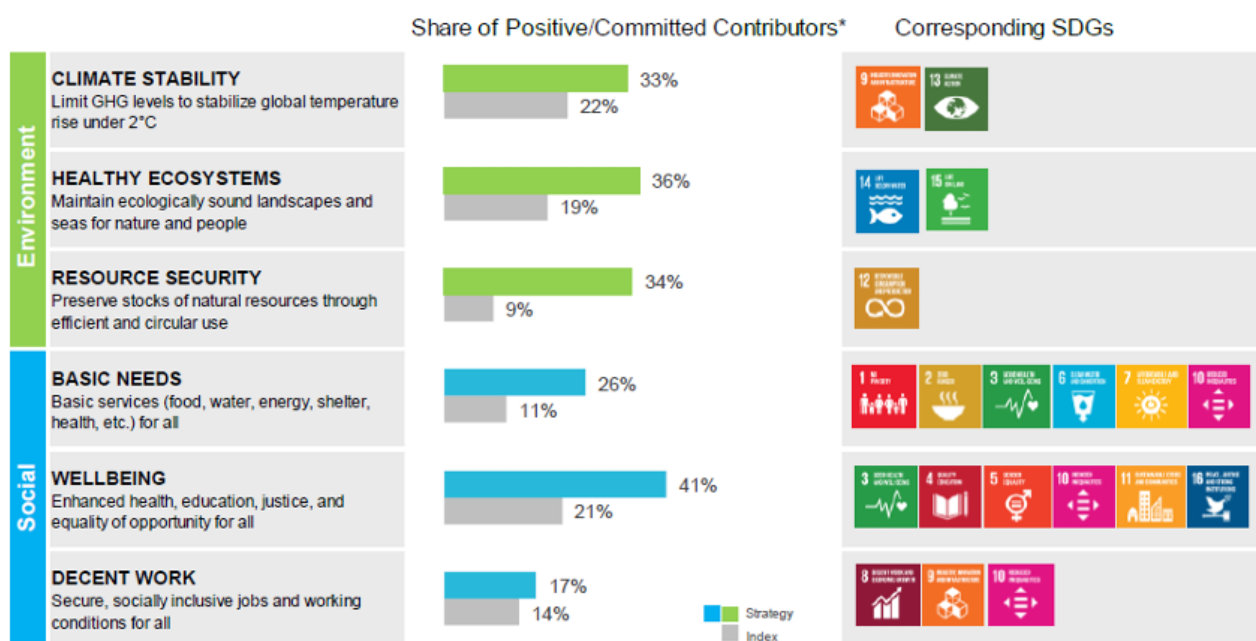
**Positive Screens:** Mirova invests only in companies whose business activities address opportunities created by any of their four high-level, long-term transition themes: Demographics, Technology, Environment and Governance.

**Negative Screens:** Companies in breach of the UN's Global Compact Principles, Controversial Weapons and specific countries.

**Engagement:** Mirova engage with companies, both individually and collaboratively, on a broad array of topics to implement strategies and ensuring they vote their shares.

**Other Positive Contributions:** Mirova produce a quarterly ESG report that provides an overview of the contributions of underlying fund holdings to the UN's SDGs.

## Impact mapping to the SDGs



\*sum of strategy/index holdings with Positive or Committed opinion

\*\*cash and cash equivalents excluded

Source: Mirova



## 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 and Water Management
- **Social Themes:** Knowledge and 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 Principles<sup>2</sup>.

**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.

<sup>2</sup> 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/>

## Emerging Market Equities

### Candriam SRI Equity Emerging Markets

| 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 and 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

| 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 and Well-Being, Food & Nutrition, Energy Transition, Responsible Finance, Sustainable Infrastructure, and Technological Innovation.



# 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 exclusions<sup>3</sup> 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 Research<sup>3</sup>. 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.



<sup>3</sup>For more information on the foundation and their work, please visit their website: <https://www.stowers.org/>

## Global Listed Infrastructure

### First Sentier Responsible Listed Infrastructure

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

**Positive Screens:** First Sentier target quality companies and part of this is a positive screen which they refer to as their Sustainability Analysis and has 3 stages:

1. **Sustainability Ranking:** Identify the best companies when considering Environmental, Social and Governance factors
2. **Sustainability Development:** Identify companies that are positively repositioning to be more sustainable and are committed to this
3. **Continuous Engagement:** With companies regulators and other stakeholders in order to drive change, and push for better outcomes for people and the planet

**Negative Screens:** First Sentier invests in a broad range of infrastructure related companies, as such negative screens are not applicable for this fund.

**Engagement:** Engagement forms a key part of First Sentier's sustainability analysis. The team reaches out to companies, regulators and stakeholders and use the platform as a way of driving change within companies by pushing for better outcomes for people and the planet on a continuous basis.

## 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

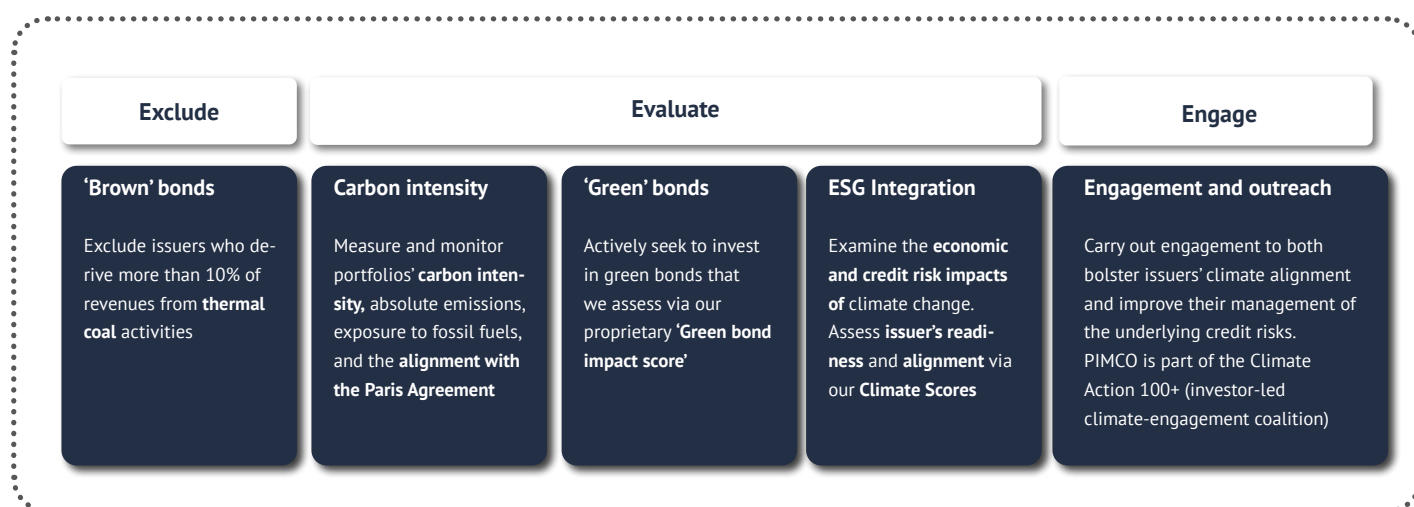
| Responsibility Component | Positive Screens | Negative Screens | Engagement | Impact Reporting |
|--------------------------|------------------|------------------|------------|------------------|
| Sustainability Focused   | ✓                | ✓                | ✓          | N/A              |

**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 Global Investment Grade Credit ESG

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

**Positive Screens:** PIMCO's ESG process is centred around the 3 E's:

1. **Exclude:** Restrict investment in issuers with misaligned sustainability practises
2. **Evaluate:** Emphasis 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.

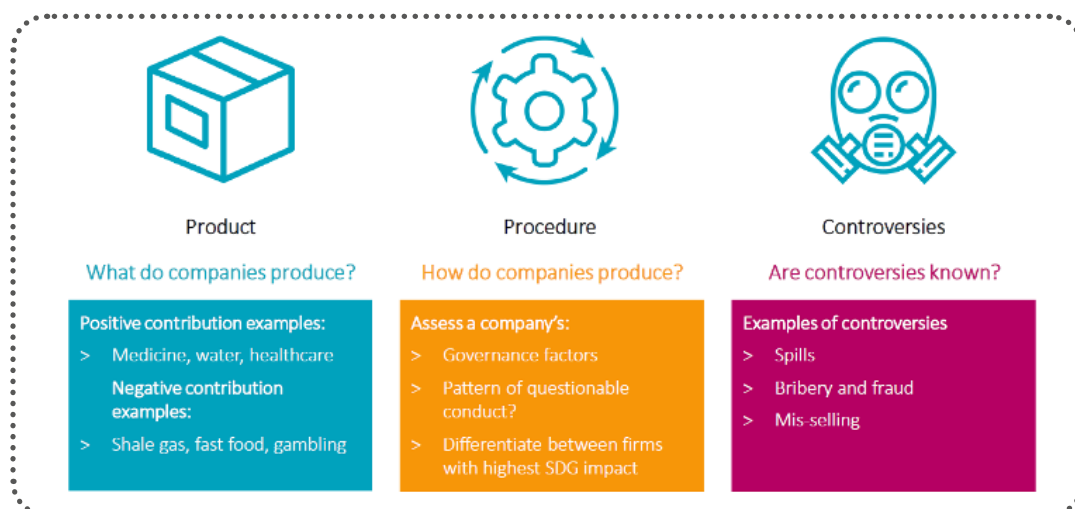
## Robeco Global SDG Credits

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

**Positive Screens:** Robeco identify companies based on their inhouse SDG Framework. The framework scores companies alignment with the UN's SDGs based on their Products, Procedures and Controversies. Only the best rated companies can be used within the portfolio.

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

**Engagement:** Robeco have their own inhouse engagement team that engage with companies on a broad array of ESG related topics, and also look to support companies who have recently experienced controversies.



# Global Sovereign Bonds

## PIMCO Global 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 3 E's:

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

**Negative Screens:** Weapons production and 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.

# Cash & Short-Term Bonds

## NN (L) Green Bond Short Duration

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

**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 Principles<sup>5</sup> and The Climate Bond Initiative<sup>4</sup>.

**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 CO<sub>2</sub> reduction, Renewable Energy Capacity added, and use of proceeds.

<sup>4</sup>The 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 and Carbon Intensive Industries.

## Candriam Sustainable Bond Euro Short Term

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

**Positive Screens:** Candriam's Sustainability process has 3 steps that defines the investable universe. Countries are assessed based on Human Capital, Natural Capital, Social Capital and Economic Sustainability, with a minimum threshold established for inclusion. Companies are then assessed based on company specific factors (customers, employees, environment etc) and sector specific factors (Climate Change, Resource Depletion, Health and Wellness etc) to develop an investable universe of corporates.

**Negative Screens:** Highly-Oppressive Regimes, Uncooperative Jurisdictions, Armaments, Adult Entertainment, Alcohol, Animal Testing, Gambling, Genetic modification, Nuclear, Tobacco and repeat violators of UN Global Compact.

**Engagement:** Candriam's inhouse Sustainable and Responsible investment team engage with bond issuers on a variety of ESG related issues.

## Robeco Global Credits Short Maturity

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

**Negative Screens:** Companies in breach of UN's Global Compact Principles, Controversial Palm Oil Production, Controversial Weapons, Tobacco, Fossil Fuels,

**Engagement:** Robeco have their own inhouse engagement team that engage with companies on a broad array of ESG related topics, and also look to support companies who have recently experienced controversies.





## About PortfolioMetrix

### PURPOSE

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

### PASSION

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 management to expert financial advice - through technology and 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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