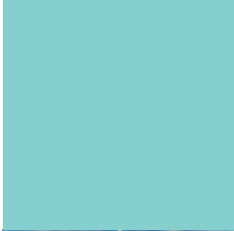
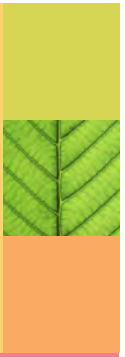


# SUSTAINABLE FUND RANGE SCREENING POLICY



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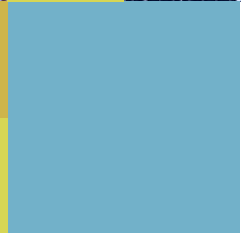
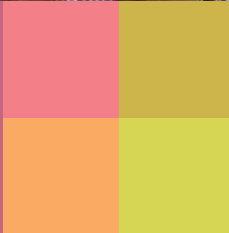
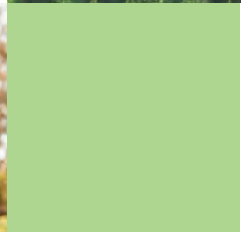
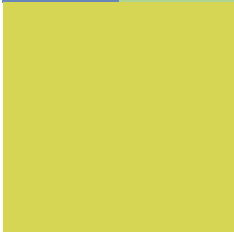
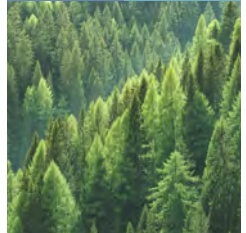
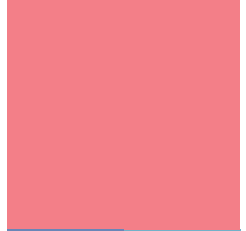
THE THOUGHTFUL INVESTOR



At Castlefield, we do not arbitrarily apply a negative screening policy with no other considerations. We believe that applying thresholds allows a basis for analysis and comfort for investors that we will not compromise our principles. There are also positive characteristics that we look for when assessing companies. In practice, our threshold levels in the funds are much tighter than those detailed on the following pages but they can provide a useful guide in where to draw the line, regardless of a company's positive attributes.



This policy is not intended to provide an exhaustive list and there are many issues that we're unable to quantify in the same manner as those listed within but that will also be considered when assessing investment opportunities.



This policy sets out the type of investments that are not suitable for Castlefield's Sustainable fund range. We will not invest in any company that derives more than 10% of revenue or 10% of operating profit (whichever percentage is the higher) from the industries, products and activities listed below.

- |    |   |
|----|---|
| a) | The manufacture and distribution of weapons and weapons systems                                   |
| b) | Nuclear military  |
| c) | Nuclear power generation  |
| d) | Infant formula where the retail or manufacture contravenes international guidelines               |
| e) | The extraction, mining, processing and production of carbon emitting fossil fuels                 |
| f) | Breeding, rearing or trapping of animals for fur and the retailing of fur products                |
| g) | Animal testing for cosmetic purposes  |
| h) | The manufacture and retailing of alcohol  |
| i) | Gambling, including casinos and betting, gaming machine operators and lotteries                   |
| j) | Production, distribution and retailing of pornography   |
| k) | Manufacture and retailing of tobacco and tobacco-related products                                 |
| l) | Consumer credit companies offering egregiously high interest rate loans and home-collected credit |
| m) | Mining  |

Detailed definitions are provided in Appendix 1.

If a company is involved in a number of the industries, products or activities listed above, the aggregate revenue or profit percentage should be used to assess the company's total exposure to controversial industries. Where the aggregate figure exceeds 10% of revenue or operating profit, the company will be deemed unsuitable for investment.

In reaching our view on whether a company is suitable for inclusion in our Sustainable fund range, we also consider the following factors:

- **Primary versus secondary involvement.** We will not invest in any company with primary involvement over the stated threshold in the industries listed above but we will not discount investment in companies with secondary involvement. For example, we would not invest in an oil or gas company but may consider investment in a company providing services to the oil and gas industry which we consider positive. This could include, for example, the provision of environmental services, facilities maintenance or safety services. In general, we look more favourably on services that mitigate the negative impacts of a controversial industry.
- **Strategic importance of the product or service to the overall business strategy.** We will not invest in companies where we consider the provision of controversial products or services is a growing or strategically important part of the business, even where it is under 10% of profit/revenue threshold.
- **Generic product vs modifications for a controversial industry.** We will not invest in companies providing modified equipment to a controversial industry or client, for example, the military. However, we may consider companies providing generic or civilian products to a controversial industry or client where this would breach the 10% profit/revenue threshold. For example, we would not invest in a company providing modified aircraft parts to the military. However, we would consider investment in a firm supplying standard office equipment to the military.

Further considerations which are also discussed when determining whether an investment may be suitable include social issues such as human rights, labour standards, responsible marketing, and health and safety, among others. There are also additional environmental factors which feature in our analysis such as resource efficiency, pollution, and waste. Governance concerns may also preclude investment.

Castlefield's Stewardship Committee is responsible for overseeing the implementation of this policy and updating it on an annual basis. Fund managers or the Stewardship Committee can seek advice from Castlefield's External Advisory Committee on whether a company meets the above criteria or poses other considerations not outlined above. We may also consult them on emerging controversial activities or industries.

If a company is in breach of this policy following initial investment, which may occur by process of an acquisition or growth in one particular business area, the fund manager will have a period of six months within which to divest from the holding.



## SUSTAINABLE PORTFOLIO FUNDS

Our Castlefield Screening Policy applies to our directly invested Sustainable fund range. With regards to the Castlefield Sustainable Portfolio funds, any asset held directly by the funds will be subject to our internal Screening Policy. The funds also contain exposure to our single-strategy funds, to which this policy applies. Third party funds which are held within the funds are assessed with consideration of the team or manager's willingness and ability to address ESG and sustainability concerns. While their screening policies and investment process may differ from our own, we look for funds where we believe these principles are an integral part of the process and where the fund house has a track record of considering sustainable and responsible investment opportunities.

## POSITIVE THEMES

While we believe that negative screening plays an important role in ensuring clarity for investors and consistency throughout our investment process, identifying an investment's positive characteristics are also an integral part of how Castlefield approach sustainability. By means of our negative screens we aim to exclude those investments which contradict our belief that responsible and sustainable business practices will produce better returns for investors over the long term. This belief also leads to a positive bias towards investments which contribute towards key sustainability themes and those which conduct their operations with due care and attention to the environment and society.

**The following themes provide the framework for assessing the positive credentials of any individual investment:**



### Cyber & Digital Security

In a technology-driven world, cyber and digital security is essential. It protects all kinds of data from theft, damage and other cyberthreats, to the benefit of all. The Cyber & Digital Security theme covers companies providing products or services which support consumer privacy, digital security and the development of secure digital infrastructures.



### Education

Education is crucial to economic growth and development and should be accessible to all. Our Education theme covers the provision of products and services that improve the quality of education, such as scholastic materials or academic journals. This theme also encompasses companies widening access to education, along with developers of information technology for the education sector.



## Employee Ownership & Responsible Business

Employee Ownership & Responsible Business is a theme which encompasses companies that provide employees with opportunities to build their own personal stake in the business. It is also linked to employee development, youth training, apprenticeships and STEM\* development. It is an important theme as it helps to align the interests of companies and their employees around securing long-term, sustainable growth. The companies in this theme stress the importance of protecting labour rights and promoting safe and secure working environments, for example, paying living wages.

\*STEM = Science, Technology, Engineering and Mathematics



## Environmental Management

Healthy ecosystems purify our air, clean our water, provide us with food and regulate the climate. The environment provides the raw materials which are the foundation of all civilisation and sustain our economies. Environmental Management is an important theme in our investments. It covers companies which are involved in emissions management, waste control, pollution monitoring and water use.



## Financial Resilience

We define financial resilience as the ability to withstand life events that could impact an individual's income and/or assets. The Financial Resilience theme covers companies which provide products and services that lessen the impact of financially stressful events, such as unemployment, divorce, disability, and ill health. This includes firms providing products and services that enable individuals to save and develop financial independence. It also includes insurance companies which focus on improving security and reducing customers' risk exposure.



## Health & Wellbeing

Staying healthy contributes to improved quality of life, increased productivity and, ultimately, longer lifespans. We recognise Health & Wellbeing as a positive theme which relates to companies providing products or services that improve access to affordable healthcare or result in better patient outcomes. This theme also includes companies providing products or services that prevent underlying causes of poor health, for example, through the provision of healthy food options and access to exercise facilities.



## Resource Efficiency

Resource Efficiency increases the competitiveness of industries by stimulating innovation. It also boosts sectors such as recycling and resource recovery and helps to secure supplies of key materials. This theme covers companies that can increase the efficiency of resource intensive processes. These companies seek to improve their processes and practices in order to reduce the amounts of raw materials required to produce goods and services whilst also seeking to improve the energy efficiency of products.



## Safety & Regulatory Compliance

Across the economy, companies need to comply with health, safety and other regulatory requirements to ensure the safety and wellbeing of employees, customers and the community at large. Regulatory compliance also helps to build trust with clients. Our Safety & Regulatory Compliance theme relates to companies which manufacture and produce safety equipment. In addition, this theme includes companies that provide products or services which contribute to the reduction of accidents, or that assist companies in meeting their regulatory requirements.



## Sustainable Infrastructure

Societies need reliable infrastructure to connect people and supply chains. Sustainable Infrastructure is a theme which relates to companies involved in the provision of resilient infrastructure, including transportation. This theme also includes businesses involved in the manufacturing or operation of real assets, such as renewable energy infrastructure. In addition, this theme covers companies constructing, maintaining and managing social and affordable housing.



## Sustainable Supply Chains

It is common for supply chains to be beset with environmental, social and legal concerns. The companies which fall into the Sustainable Supply Chains theme are committed to sourcing materials responsibly. They have policies and practices for eradicating a range of human rights issues, for example, forced and child labour, modern slavery and human trafficking within the supply chain. Another key aspect of this theme is that it also includes companies which take responsibility for their suppliers' environmental and social impacts and manage them in line with the growing expectations of stakeholders.



## APPENDIX 1:

### DEFINITIONS OF CONTROVERSIAL PRODUCTS, SERVICES AND INDUSTRIES

- a) **The manufacture and distribution of weapons and weapons systems. This includes:**
- Weapons: whole weapons (i.e. not component parts), military hardware and ammunition such as firearms, missiles, missile systems, ordnance and munitions.
  - Weapon systems: whole systems and vehicles that facilitate the effective use of weapons, including aircraft, ships, tanks and armoured cars.
- b) **Nuclear military:** companies with a major involvement in nuclear-related military activities, for example: design, manufacture, support or maintenance of nuclear weapon systems, or nuclear-powered naval vessels; processing and enrichment of nuclear materials for weapons; or weapons testing and storage.
- c) **Nuclear power generation:** companies generating power from nuclear fuelled reactors and those mining or processing fuel for civil nuclear reactors.
- d) **Infant formula:** companies which manufacture and market breast-milk substitutes or 'formula' milk, where there is evidence of violations of the World Health Organisation's International Code of Marketing of Breast-Milk Substitutes, or the Codex Alimentarius Standard for Infant Formula within the last three years.
- e) **The extraction, mining, processing and production of carbon emitting fossil fuels. This includes companies:**
- involved directly in the extraction of coal from deep or surface mines; and electricity utility companies involved in generating electricity from coal-fired power stations.
  - exploring for and exploiting unconventional oil and gas deposits, such as oil and tar sands, and oil and gas shales; using unconventional extraction techniques such as hydraulic fracturing (fracking), pyrolysis, or steam injection to extract such deposits.
  - involved in the exploration and production of oil & gas from unconventional locations including deep water and the Arctic region.
  - involved in exploration and production of conventional oil and gas wells and reservoirs, using conventional drilling techniques.
  - involved in the extraction of thermal coal or the production of oil from oil or tar sands.

**f) Breeding, rearing or trapping of animals for fur and the retail of fur products. This includes:**

- breeding and rearing of animals for their fur.
- trapping and other means of taking animals from the wild.
- retailing of fur products, including clothing or shoes with fur trim or detailing.

**g) Animal testing:**

- Non-healthcare products:
  - companies researching and developing cosmetics, toiletries or household products, where testing on animals is part of the process, and companies with own-brand products manufactured on their behalf, where the product itself is tested on animals.

**h) The manufacture and retailing of alcohol. This covers:**

- the brewing of beer, distillation of spirits or production of wine, where this is the most significant part of the company's turnover, or the activity is judged to be significant in terms of the industry as a whole.
- companies where a major part of corporate activity is the retailing of alcohol to consumers, such as operators of pub chains or off-licences; or the distribution or wholesaling of alcoholic drinks to the retail trade.

**i) Gambling, including casinos and betting, gaming machine operators and lotteries. This includes:**

- operators of casinos and bingo halls; horse racing facilities and dog racing tracks; bookmakers, including high-street operations and betting services offered on the telephone, interactive television or the world-wide-web.
- companies operating gaming machines where this is a principal activity, such as amusement arcades; and companies with any direct involvement in manufacturing or supplying gambling machines.
- companies running lotteries, either individually or as part of a partnership or consortium.
- companies advertising in the UK that are in breach of the UK Advertising Standards Authority codes on the marketing of gambling activities, which address the principles of social responsibility and the protection of children and other vulnerable persons.

**j) Production, distribution and retailing of pornography. This includes:**

- companies involved in the production of pornographic material in any media, where this is a major part of company operations.
- companies involved in the distribution of pornographic material in any media, such as supply of television channels via satellite or cable, where this is a major part of company operations.
- companies involved in the retailing of pornographic material in any media, such as video, DVD or magazine, where this is a major part of company operations.

**k) Manufacture and retailing of tobacco and tobacco-related products. This includes:**

- companies manufacturing or processing cigarettes, cigars and tobacco or nicotine-based products.
- companies involved in the production of items related to the manufacture, processing or packaging of cigarettes and tobacco products, including:
  - paper for both industrial-scale cigarette manufacturing and hand rolling;
  - cigarette filters;
  - cigarette and tobacco product packaging; and
  - chemicals used in tobacco processing and flavouring.
- companies involved in the sale or distribution of tobacco and/or related products where it is a significant part of the business, including wholesaling or distributing to other retailers; or operation of specialist tobacco retailers such as tobacconists or discount cigarette outlets.

**l) Consumer credit companies offering egregiously high interest rate loans and home-collected credit.**

**m) Companies involved in the extraction of non-renewable resources.**

The definitions used for controversial practices, activities and products in this document are largely derived from those available from Ethical Screening.





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