

FSSA Investment Managers

Exclusion Policy



We only invest where we perceive the management operates the business effectively and in the interests of all stakeholders. Companies that do not look after their customers, employees, suppliers and the larger community are unlikely, in our view, to be rewarding long-term investments.

A key part of our approach to responsible investment includes commitments to:

- Support and uphold fundamental principles of human rights
- Support international norms and standards enshrined in widely adopted treaties, conventions and codes of practice and
- Uphold the highest standards of environmental stewardship

Detailed below are a number of industries that we either exclude in their entirety or where we apply thresholds. Applying thresholds affords us the opportunity to engage with the company on parts of their business that are less sustainable than others.


Beyond these exclusions our own pragmatic research is undertaken by each analyst. Our analysts and portfolio managers are fully accountable for the decisions they make and thus any investment thesis is heavily debated and scrutinised. Only companies which fully satisfy our initial bottom-up assessment of quality will merit further research and discussion. For those that do not meet the quality criteria, there is no obligation for us to invest in them, as we are bottom-up investors and entirely benchmark agnostic.


With that said we are finding that there are countless grey areas where our clients expect further clarity on what exposure we might permit. This is a delicate topic and one we discuss at length regularly. Tobacco, defence and gambling were relatively easy for us to exclude but areas such as fossil fuels we find more challenging, where a company might be playing an important role in transitioning to renewable energy. Over the years our views have hardened and we fully expect this to be the case in the future and therefore we will continue to develop our process around some of these grey areas.


As well as our bottom-up analysis, we implement this policy through a third-party screen.

Environmental issues


 **Climate change** – We will not invest in companies that do not take their environmental impact seriously and those that we believe do take them seriously, we monitor their progress on an ongoing basis. Companies that do not make progress will be excluded.


 **Coal** – We do not invest in companies with a materially large exposure to coal mining and impose a 10% revenue threshold.


 **Deforestation and biodiversity** – We expect palm oil companies to adhere to the policies of the Roundtable on Sustainable Palm Oil (RSPO) and No Deforestation, No Peat, No Exploitation (NDPE). In addition we strongly encourage our consumer companies to adhere to these policies and if our engagement is unsuccessful we will sell our holding.


 **Nuclear energy** – We do not invest in companies that derive revenue from the production of nuclear energy.

Social issues


 **Gambling** – We do not invest in companies whose primary business is gambling. We impose a 10% revenue threshold.


 **Weapons** – We do not invest in companies that are involved in the production or development of cluster munitions, anti-personnel mines, small arms, biological weapons, chemical weapons or uranium munitions.

 **Pornography** – We do not invest in companies involved in the production of pornography.

 **Tobacco** – We do not invest in companies that are involved in the production of tobacco products and continue to engage with our banking exposure to encourage them to cease doing business with the tobacco industry.

Governance issues

 **Bribery** – We do not invest in companies where there is believed to be systemic bribery. At a minimum we expect companies to adhere to Principle 10 of the UN Global Compact.

 **Tax** – We believe that all companies should adhere to local taxes legislation in both the letter and the spirit of those laws. Those that do not are likely to face either a regulatory or a consumer backlash or both. We will not invest in companies that persistently do not adhere to local tax legislation.

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