OUR APPROACH TO RESPONSIBLE INVESTMENT & ESG

GUINNESS GLOBAL ENVIRONMENT FUND

POSITIVELY DIFFERENT

GUINNESS GLOBAL INVESTORS

CONTENTS

This paper outlines our approach to responsible investing when managing the Guinness Global Environment Fund ("the Fund"). The Fund is classified as Article 9 for the purposes of the EU's Sustainable Financial Disclosure Regulation ("SFDR"). In the paper, we refer to the UN PRI definition of responsible investing, explaining what ESG means to us and how it is incorporated into our investment process for the Fund. The paper also discusses our stewardship activity, including how we engage with companies on ESG issues and fulfil our proxy voting responsibilities.

INTRODUCTION TO RESPONSIBLE INVESTING & ESG

DEFINING RESPONSIBLE INVESTMENT

- The UN PRI defines responsible investment (RI) as "a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership". There are several components to responsible investing, which the PRI summarises as follows:

CONSIDERING ESG ISSUES WHEN BUILDING A PORTFOLIO (ESG INCORPORATION)		
ESG issues can be incorporated into existing investment practices using a combination of three approaches: integration, screening and thematic.		
INTEGRATION	**SCREENING**	**THEMATIC**
Explicitly and systematically including ESG issues in investment analysis and decisions, to better manage risks and improve returns.	Applying filters to lists of potential investments to rule companies in or out of contention for investment, based on investor's preferences, values or ethics.	Seeking to combine attractive risk-return profiles with an intention to contribute to specific environmental or social outcome. Includes impact investing.

IMPROVING INVESTEES' ESG PERFORMANCE (STEWARDSHIP)	
Investors can encourage the companies that are already invested in to improve their ESG risk management.	
ENGAGEMENT	**PROXY VOTING**
Discussing ESG issues with companies to improve their handling, including disclosure, of such issues. Can be done individually, or in collaboration with other investors.	Formally expressing approval or disapproval through voting on resolutions, and proposing shareholder resolutions on specific ESG issues.

Aspects of each of these RI components are included in the Guinness Global Environment Fund investment process, as described on page 6.

DEFINING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

ESG incorporation refers to measuring and assessing the potential risk and opportunities from environmental, social and governance factors. Environmental criteria consider how a company performs as a steward of nature; social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates; and governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

- **Environmental:** concerns are growing and forcing regulators to take notice and take action. For example, the impact of BP's Deepwater Horizon explosion and oil spill on the Gulf Coast reportedly cost the company around $62 billion, and the diesel emissions scandal has been reported as costing Volkswagen upwards of $46 billion in the US alone. Negative environmental factors can clearly be detrimental to the financial results of investee companies.

- Similarly, the **Social** impact of a company's behaviour is increasingly being felt on the bottom line. Recently, for example, there have been allegations of human rights abuses from China's Uyghur Muslims in the Xinjiang province, including at major solar companies. The United States and other governments have become increasingly vocal about forced labour in the Xinjiang province, including the imposition of sanctions on some corporations that operate in the region.

- **Governance** is a critical aspect of the analysis of any company. The effectiveness of a board and executive management team in setting the strategic direction and the culture of the organisation are crucial to a firm's future success. For example, Ørsted has demonstrated climate leadership through its early adoption of green technologies, transforming itself from one of the most coal-intensive energy companies in Europe to the number-one offshore wind farm operator globally.

In the asset management industry, interest in ESG has soared since the launch of the United Nations-sponsored Principles for Responsible Investment (PRI) in 2006. As signatories ourselves, we are committed to adopting and implementing responsible investment principles in a manner that is consistent with our fiduciary responsibilities to clients. We do this by integrating ESG analysis into our investment process and operating an active stewardship programme.

OUR INVESTMENT PHILOSOPHY AND PROCESS

The Guinness Global Environment strategy is a thematic equity strategy investing in companies engaged in providing environmental solutions which contribute to the reduction of environmental resource use, or the preservation of these resources.

We have created a universe of around 580 companies that operate within this value chain. We identify a focus list of the around 190 of the most attractive companies within this, which populate the majority of our c.30-position, broadly equally weighted portfolio. Our investment universe spans several equity sectors, and the benchmark for the purposes of performance comparison is the MSCI World Index (net return).

The Guinness Global Environment strategy is run with a consistent investment philosophy, combining value-biased investment analysis with a long-term investment horizon.

We believe that active investment management, when coupled with the discipline and intellectual integrity of a good, rigorous investment process, will deliver superior performance for investors. We believe that inefficiencies exist in all markets as a result of:

1. The behaviour of market participants
2. The flow and types of information being open to multiple interpretations

By adopting an approach in which the key absolute and comparative characteristics of all investments are intelligently analysed and measured, we consider ourselves better able to manage and use the mass of information available.

Our investment philosophy leads us to place importance on the following activities:

1. Understanding key macro drivers
2. Intelligent screening of a large group of relevant equities
3. Understanding what we own via interaction and diligent, detailed analysis
4. Generating our own ideas rather than relying on investment ideas from third parties
5. Maintaining a structural sell discipline

We believe that ESG analysis is embedded within a number of these activities. Specifically:

Understanding the key macro drivers of investing in companies that benefit from the excess demand for five essential environmental resources – food, water, climate, waste, and land – requires us to form a view on the winners and losers in the value chains for these resources. For example, we must understand the environmental, social, and political drivers that are shaping how businesses adapt and innovate to manage scarce resources and mitigate environmental pressures.

- Our intelligent screening of a large group of relevant equities includes ESG scoring to identify poorer performers.
- Understanding what we own involves discussion with investee companies around ESG concerns, whilst our company modelling and qualitative ESG reviews capture any quantifiable effects of ESG factors.

Simply speaking, we believe that considering ESG issues is a pragmatic part of our day-to-day activities as investors, helping to form our understanding of the business model of a company, its potential to create long-term return on capital, and its mitigation of risk.

ESG INCORPORATION

The first approach to ESG Incorporation, according to the UN PRI, is the integration of ESG factors. The PRI defines this as "explicitly and systematically including ESG issues in investment analysis and decisions, to better manage risks and improve returns." As long-term investors seeking to identify good quality companies across our portfolios, we believe that ESG considerations play a direct role in managing company specific risks and thus can have the potential to have a meaningful impact on long-term returns. We believe ESG factors impact both the 'top-down' and 'bottom-up' parts of our investment process for the Fund:

INTEGRATING ESG FACTORS IN OUR TOP-DOWN ANALYSIS

We think of top-down ESG as the various short and long-term structural trends underpinning the adoption of environmental solutions, which help reconcile the supply demand asymmetry for environmental resources. Namely, we consider the environmental impacts of solutions, whether they cause system-wide impacts in other resource value chains, and whether their positive impact is durable over their lifetime and beyond.

Here we lean on over 25 years of experience investing in thematic strategies.

Top-down ESG factors incorporated into the framework include government incentives and subsidies, regulation around resource protection, and underlying resource security or scarcity.

Our top-down ESG analysis contributes to assessing which environmental solution subsectors are likely to achieve sustainable growth in the years to come. These subsectors become areas of focus in the portfolio.

INTEGRATING ESG FACTORS IN OUR BOTTOM-UP ANALYSIS

We screen a universe of around 190 environmental solutions equities and maintain discounted cash flow models on the most attractive subset of this universe.

Key to this micro analysis and stock selection is the assessment of risk adjusted value in the equity of each company. Good ESG behaviours from our companies (e.g., robust risk management and long-term planning; allocating capital wisely; or integrating well with the communities in which they operate) are important components in defining future return on capital employed and future equity valuation. However, we will consider owning a company that has some weaker ESG characteristics if, after these considerations, we see an attractive risk adjusted valuation and a positive direction of travel with respect to these issues.

To understand ESG risks and opportunities in more detail, we perform a qualitative review of ESG factors for each investment. Our qualitative review involves an in-depth analysis of the material ESG risks of a company – considering what the company itself, MSCI and the SASB materiality framework deem material, along with our own knowledge of the company. The analysis includes material ESG risk factors, plus other risk factors which we deem less financially material on a three to five-year view, but still notable. We use public sources of information, including annual reports, sustainability (or similar) reports, press releases, NGOs, proxy research and company presentations in addition to broker research and media sources. ESG research providers also help us determine the material risks and opportunities facing a company and how it addresses and reports on them.

Conducting qualitative ESG reviews allows us to form more complete and meaningful investment conclusions. We do this to understand the materiality and fairness of ESG scores, the risks to business models and valuations, and to assess company-specific issues. Forming part of the due diligence we undertake when selecting investments, this process encompasses a detailed review of a company's strategy, financial and nonfinancial performance and risk, and capital structure.

We also conduct regular news screening for controversies among underlying holdings and ongoing movements within their competitors and industries.

This qualitative ESG work carried out also helps to inform our engagement priorities. Further details of this stewardship activity are discussed later in this document.

It would be remiss of us not to point out that incorporating ESG factors into investment decision-making is still evolving. While negative factors (such as oil spills or harassment) can cause a sharp correction in a share price once in the public domain and therefore can lead to a long-term negative reputation for the company, positive factors (such as improving governance or management alignment) can take years to play out. It is for this reason that we believe investment managers who have already established their ESG credentials and who are actively engaging with investee companies to help improve their ESG reputation over time can leverage a potential competitive advantage over those that do not.

Our ESG research is conducted by the investment team and therefore is fully integrated into the investment process. We do not 'outsource' this responsibility to an internal or external ESG team.

SCREENING

The second approach to ESG incorporation, according to the UN PRI, is the application of screening. The PRI defines this as “applying filters to lists of potential investments to rule companies in or out of contention for investment, based on investor’s preferences, values or ethics.” We split our screening approaches for this strategy into positive screening and negative screening, as described below.

POSITIVE SCREENING

The Guinness Global Environment strategy is focused on environmental solutions, and in our universe construction we positively screen for companies that have around half or more of their business activity (e.g. revenues, profits or capex) exposed to environmental solutions. This should mean that the biggest driver of growth and of future equity value for all of the companies we own should come from environmental solutions.

NEGATIVE SCREENING

The strategy excludes some companies based on their activities.

FIRM-WIDE EXCLUSIONS

Controversial weapons

We exclude companies that have been identified by credible third parties as being directly involved in the design, manufacture or sale of cluster munitions, landmines and biological and chemical weapons.

Coal

In addition to the exclusion of companies that extract coal, the strategy excludes companies with significant thermal coal generation activities. Specifically, companies that generate more than 30% of revenues via thermal coal based power generation are excluded.

STRATEGY-SPECIFIC EXCLUSIONS

The Guinness Global Environment exclusion policy also excludes the following activities:

EU Paris-aligned Benchmark (“PAB”)

The fund also adheres to the EU Paris-Aligned Benchmark (“PAB”) Exclusions. In the event that a company already held in our portfolios is added to one of our exclusion lists, or an excluded company is added to a portfolio in error, we will, following confirmation of the company’s involvement in the excluded activity, seek to divest the holding within 90 business days.

A company-level Exclusion Policy is available here and a fund-level exclusion document is available upon request.

THEMATIC INVESTING

The third approach to ESG incorporation, according to the PRI, is the application of thematic investing. The PRI defines this as "seeking to combine attractive risk-return profiles with an intention to contribute to a specific environmental or social outcome. Includes impact investing."

By delivering concentrated exposure to companies playing a key role in environmental solutions, the Guinness Global Environmental strategy seeks capital appreciation whilst aligning its investments with this positive impact.

The strategy intentionally screens for companies providing environmental solutions which contribute to reducing environmental resource use or intensity, or to protecting and enhancing environmental resource supply. These solutions help reconcile the excess demand for five key environmental resources: food, water, climate, waste and land.

By investing in the companies that produce these products and services, we believe that the Fund's success is closely aligned with this positive environmental impact.

Each year, the investment team estimates the Environmental Impact Indicators for portfolio holdings. This is provided for at least one of the metrics in the table below:

THEME	SOLUTION	IMPACT INDICATOR
FOOD	Precision Agriculture, Livestock Efficiency, Food Processing, Distribution Efficiency, Food Technology, etc.	(Food) Waste Avoided (Tonnes)
WATER	Remediation, Utilities, Efficiency Tech, Efficiency Services, Infrastructure, etc.	Total water saved / treated (m3)
CLIMATE	Building Energy Efficiency, Industrial Energy Efficiency, Low Carbon Energy, Clean Mobility, etc.	Gross carbon dioxide emissions avoided (Tonnes CO2)
WASTE	Technology & Testing, Input Reduction Products / Services, Recycled & Recyclable Products, Sharing Economy, etc.	Waste Recycled / Recovered (Tonnes)
LAND	Forest Land Efficiency, Urban Land Efficiency, Remediation, Green Buildings, etc.	Land Use Avoided (km2)

STEWARDSHIP – ENGAGEMENT

As active, long-term investors, we seek to encourage the companies in which we invest to adopt best-in-class ESG practices. As a minority shareholder in public equities, we recognise that our engagement 'clout' is likely to be limited compared, say, to that of a large private equity firm which takes majority stakes in its investee companies. However, we believe that successful long-term engagement shares parallels with Richard Thaler's nudge theory; the idea that behaviour and decision making can be influenced through positive reinforcement and suggestions for improvement. We may be a sole actor trying to nudge the company in the right direction, but when multiple actors, either independently or collectively, nudge in the same direction of positive change, it is far harder for management, industries and governments to ignore.

THE GUINNESS ENGAGEMENT FRAMEWORK

In our engagement efforts, we seek to ensure that the strategies of our portfolio companies are aligned with our goal of owning companies helping to deliver environmental solutions. Communication can involve debating top-down ESG themes with management, questioning management on poor bottom-up ESG scores (from our scorecard) or key issues raised in our qualitative ESG analysis. Our engagement framework has three pillars:

- **Disclosure:** Once a risk is measured, it can be managed through target setting.
- **Target setting:** Once a target has been set, it can be incentivised through remuneration.
- **Incentivisation:** Once a target is incentivised, it is more likely to be achieved.

As signatories to the UN PRI, we are aware of the importance of tracking these additional engagements and record data accordingly. We have a central engagement database used by all investment teams to record and track these interactions with reference to those that included discussion around E, S or G topics. The engagement database allows us to analyse the range of engagements that have occurred over a period.

We intend to report on our engagement activity in an annual Impact Report.

COLLABORATIVE ENGAGEMENT

At Guinness, we also believe in collaborative action around ESG issues: focused programmes of engagement where the sum of the parts is significantly more effective than if each participant attempted to engage across the whole sector. The most relevant example of this to our environmental strategy would be our membership of Climate Action 100+, which is widely regarded as the world's leading engagement group on the issue of greenhouse gas emissions. This directly borders our Climate theme.

We also participate in the CDP non-disclosure campaign, which offers investors the opportunity to engage with companies that have received the CDP disclosure request but have not yet provided a response. The objective of the annual campaign is to drive further corporate transparency around climate change, deforestation and water security, by encouraging companies to respond to CDP's disclosure requests. As part of this, we also have the opportunity to lead engagements with investee companies where relevant.

STEWARDSHIP - PROXY VOTING

Our voting philosophy reflects our corporate values, our long-term perspective, and our focus on sustainable returns. All voting is undertaken by the Investment Team, with oversight of quarterly voting outcomes provided by our Responsible Investment Committee. Proxy voting and the consideration of corporate governance issues are important elements of investment management. Our Voting Policy is designed to support our portfolio managers in making decisions that maximize a company's shareholder value. We value our independence and believe it enhances our ability to act as effective stewards of investors' capital. That independence manifests itself in several ways. Specifically, with respect to voting activity, we are free to vote and engage with companies without encumbrance by external interests.

POLICIES & PROCEDURES

At Guinness Global Investors, we manage the voting rights of the shares entrusted to us. Portfolio Managers are responsible for voting for the companies held within the funds they manage. Proxy votes are cast in a prudent and diligent manner, based on the managers' judgment of what is in the best interests of clients. The Responsible Investment Committee, which is a committee consisting of investment team members and senior management, is designated as our policy-making body with respect to voting. Records of our voting activities are maintained and reviewed on a quarterly basis by the Responsible Investment Committee.

To assist in filing proxies, we retain proxy voting advisory services. While we take note of proxy research and recommendations, we are under no obligation to follow them; our portfolio managers vote according to our own views and research insights.

We note regional variations in corporate governance norms, company law, and listing requirements along with different expectations of firms depending on their size and maturity. Diligent voting must take these differences into account and can require consideration on a case-by-case basis.

Our Proxy Voting Policy, which covers resolutions on ESG issues and is available on our website here, also includes a summary of our proxy voting activity.

ASSOCIATIONS

We understand that participation in relevant industry initiatives is essential to the development of best practice in responsible investment. We participate in several initiatives in order to promote proper functioning of markets, improve our understanding in the area and contribute to the industry. These include the following:

The Investment Association (IA) has over 200 full members managing over £10 trillion in assets. As the trade body for the UK investment management industry, it seeks not only to represent the interests of that industry but also to improve the investment landscape for investors through initiatives which highlight certain topics – such as diversity and inclusion in the industry – and by improving standards and best practice. In addition to its membership of the Association, Guinness Global Investors participates in the Compliance Discussion Group, which provides an informal discussion to share issues, concerns, and solutions within the compliance function. The effect of our membership is to promote the good functioning of the investment market in the UK through these initiatives to the benefit of investors and the economy.

The UK Sustainable Investment and Finance Association (UKSIF) aims to support its members to grow sustainable and responsible finance in the UK. It also seeks to influence policymaking that promotes the growth of sustainable finance. Our membership constitutes part of a collective effort to promote sustainable finance in the UK.

The Independent Investment Management Initiative (IIMI) aims to contribute to effective financial regulation and promote client-centred models of investment management. Our membership, among that of over 40 firms, aims to promote initiatives which improve the functioning of the investment management industry. Most recently, a call with the UN PRI allowed members to discuss concerns and recommendations for their reporting system, to contribute to a more effective reporting procedure for future reporting periods. Our CEO, Edward Guinness sits on the board of IIMI.

Climate Action 100+ is a collaborative engagement programme through which Guinness Global Investors engages with Imperial Oil, a $34bn Canadian-listed oil & gas producer with operations mainly in Canada. The collaborative nature creates a programme of concentrated engagement with focus companies, where the sum of the parts is significantly more effective than if each participant attempted to engage across the whole sector.

CFA UK's mission is to build a better investment profession by serving the public interest by educating investment professionals, by promoting and enforcing ethical and professional standards and by explaining what is happening in the profession to regulators, policymakers, and the media. A member of staff at Guinness is part of the Sustainability Community Champions group.

The FAIRR Initiative (FAIRR) is a collaborative investor network that raises awareness of the material risks and opportunities in the global food sector. By providing research and coordinating engagement, it helps investors drive more sustainable practices in the agriculture and protein sectors.

IMPORTANT INFORMATION

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