Guinness Global Investors

Stewardship Code Report

Reporting Period:

1st January 2021 – 31st December 2021

Contents

Prologue

This report explains how Guinness Global Investors has applied the UK Stewardship Code 2020.

At 31st December 2021, 91.3% of the assets under management ("AUM") at Guinness Global Investors are invested in equities. This activity is therefore the main focus of this report. Our Private Equity Funds ("Ventures") and Multi Asset Funds accounted for 6.2% and 2.5% of total AUM respectively at 31st December 2021. We address the Ventures approach where relevant. Guinness Global Investors performs a different role in respect of the Multi Asset Funds. Our Multi Asset Funds apply investment decisions made by a third party (itself a signatory of the UK Stewardship Code 2020) to a fund structure which is accessible to investors, and differences in approach are also covered where relevant.

Guinness Global Investors is a trading name of Guinness Asset Management Limited. Guinness Asset Management Limited has two sister companies: Guinness Atkinson Asset Management, which manages funds for US investors, and Guinness Capital Management, which provides seed capital for new funds. As such, the activities of these two companies do not apply the UK Stewardship Code.

Please note we have changed the end of our 12-month reporting period from 30th September 2021 to 31st December 2021 to align with the future periods we intend to report on.

Principle 1 - Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Stewardship as part of our investment philosophy

Guinness Global Investors provides actively managed portfolios in a selection of asset classes and specialist sectors. We invest long-only and with low turnover, giving us long holding periods.

We combine strategic sector selection with a fundamental screening process to identify companies to analyse and assess in detail. We believe companies that have achieved sustainable growth in cashflows and have managed their business well through the economic cycles are likely to continue to do so.

Fundamental data and rigorous in-house research are the cornerstones of our investment process. This includes considering the impact of environmental, social and governance factors, which has evolved over time as more relevant data has become available. We believe that incorporation of ESG factors as part of our detailed company analysis enables us to enhance rather than fundamentally alter our investment process. Behaving responsibly from an environmental perspective is a good indicator that company management are thinking long-term.

We do not outsource ESG and stewardship responsibilities to third parties or even a separate Responsible Investment/Stewardship/Sustainability team as we believe these are fundamental to our investment process.

Guinness Global Investors became a signatory of the UN Principles for Responsible Investment in 2019. As a result, we are committed to the following:

- We incorporate ESG issues into investment analysis and decision-making processes.
- We are active owners and incorporate ESG issues into our ownership policies and practices.
- We seek appropriate disclosure on ESG issues by the entities in which we invest.
- We promote acceptance and implementation of the Principles within the investment industry.
- We work together with other signatories to enhance our effectiveness in implementing the Principles.
- We report on our activities and progress towards implementing the Principles.

The principles which follow highlight the influence our purpose and investment beliefs have on our stewardship activity, investment strategy and decision-making.

Stewardship and our culture

Our culture is shaped by our ownership. Guinness Global Investors is owned entirely by its employees. The founder retains a majority share in the company which provides long-term stability, direction, and perspective. Equity ownership for key staff (including portfolio managers) creates an alignment of interests in the long-term success of the company. The distribution of equity among the team engenders a 'flat' management structure, which we believe promotes transparency and accountability, and a collegiate atmosphere in the investment team where ideas and best practice are shared. It has also helped to maintain a low turnover of staff. Portfolio managers are typically invested in the strategies for which they are responsible, further aligning interests with other investors. With an incentivised, collaborative, and stable team we have been well placed to develop our stewardship activities which by nature require a long-term view and a shared approach. The effectiveness of our culture in contributing to our stewardship approach is shown by the common progress made by all investment teams, the introduction of shared tools and resources, and continuing collaboration on stewardship via the Responsible Investment Committee.

Stewardship and our values

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. We have the internal economic, industry and company research that allows portfolio managers to form an independent view on stocks. We are free to vote and engage with companies without encumbrance by external interests. We construct our portfolios independently of benchmarks, increasing investor choice by offering portfolios without the influence of index weightings. Just as we value our own independence, we are able to promote independence on the part of investors through daily pricing and liquidity of all our portfolios, giving them discretion over whether to remain invested.

We also empower investors through transparency; of our portfolios, in their simple, equal-weight construction and in disclosing all holdings periodically, and of our investment approach, by clearly articulating our processes and rationales in our regular investment commentaries.

Through these measures, our central values of independence and transparency help us not only to treat customers fairly but to offer stewardship, in its fullest sense, of investors' capital.

Stewardship and our business model

Our business model is based on the active management of portfolios on behalf of individual and institutional investors. The firm is remunerated with fees based on the amounts of assets under management. We do not manage any 'tethered' assets; instead, we manage portfolios for external investors in a highly competitive marketplace. Although our strategies are designed for the long term, investors are free to redeem their holdings daily. This model gives us strong incentives to deliver the investment outcomes and effective stewardship that investors demand.

Stewardship and our strategy

Being independent and focussed purely on investment management, our strategy is to grow our business by attracting investors to our products and growing their investments. We therefore aim for consistent risk-adjusted performance and predictable investment characteristics, both of which are aided by our integration of ESG data, and a robust stewardship approach. Effective stewardship thus lies at the heart of our strategy for asset growth. Accordingly, we have developed our approach to stewardship in response to investor demand in several ways: investing in additional data to support our incorporation of ESG factors into the investment process; becoming signatories to the Principles for Responsible Investment; and scaling up our activity and dedicated resource, as described in this report. Investment activity and practices are discussed and analysed weekly in Investment Team calls and the Responsible Investment aspects are discussed in more depth in our quarterly Responsible Investment Committee meetings. This ensures our established purpose and investment beliefs are executed effectively across the Investment Teams. While there may be differences in practical application by Teams according to strategy, these steps contribute to enabling effective stewardship and enhance effectiveness of our investment activity and decision-making.

Stewardship: Ventures Business Model and Strategy

While the investment philosophy, culture and values at Guinness run through all our investment teams, the Ventures team business model and strategy is tailored to the investment characteristics of the products.

The Ventures team is focused on investment into small, illiquid, typically private companies that require scale-up capital. The value of these businesses is often underpinned by experienced management teams, good visibility on future revenue growth and expanding capital requirements. We target a portfolio of ten companies for investors, with portfolios for the last eight tranches containing eleven investments on average. We have found this approach provides an excellent balance between the benefits of diversification and the benefits of creating concentrated, high-conviction portfolios.

The Ventures team works closely with the investee companies to support management teams. This is done through taking positions on the boards of investee companies, allowing us to provide guidance to investee companies on organisational approach, which is fundamental to effective stewardship activity.

Serving the best interests of clients and beneficiaries

We believe that our culture, values, strategy, and business model contribute to our effectiveness in serving the best interests of clients and that we have been effective in doing so. A detailed examination of investment performance of our strategies is outside the scope of this report but can be found in the investment commentaries produced by portfolio managers on each strategy and available on our website.

During the reporting period, in developing further our effectiveness in stewardship of client assets, we have:

- taken on additional research from MSCI to support our analysis of ESG factors;
- subscribed to Glass Lewis to inform our proxy voting;
- recruited a dedicated ESG analyst to assist with ESG data and reporting; and
- launched a new fund, the Guinness Sustainable Global Equity Fund, with both exclusion and specific positive sustainable characteristics, to showcase our ESG integration approach.

How we assess the effectiveness of our stewardship activities is described in this report:

- **Principle 5** – we lay out some of the ways in which we monitor stewardship outcomes;
- **Principle 7** – we describe the process by which we integrate ESG data into our investment processes;
- **Principle 9** – we report on our engagement activity; and
- **Principle 12** – we report on voting.

Principle 2 - Signatories' governance, resources, and incentives support stewardship.

Oversight of our stewardship activity

The ultimate responsibility for stewardship at Guinness Global Investors is at board level and lies with our Chief Executive Officer. Our CEO chairs the Responsible Investment Committee, which includes all portfolio managers and has the objective of developing, performing, and monitoring ESG incorporation and stewardship activities within Guinness Global Investors. The Responsible Investment Committee meets at least quarterly, and the Responsible Investment Policy is reviewed quarterly and made publicly available on our website at [https://www.guinnessgi.com/literature.](https://www.guinnessgi.com/literature)

Adherence with our policies on stewardship and with mandate requirements is monitored by the CIO and the Responsible Investment Committee. In a spirit of transparency, investment decisions are communicated to investors in our regular (typically monthly or quarterly) investment commentaries. We disclose our full portfolio holdings monthly to third-party data providers and at least annually in our investment commentaries.

Stewardship resources

Organisational and workforce structures

Guinness Global Investors' **Board** consists of the five directors of the firm, including the CEO, Edward Guinness, Edmund Harriss as CIO, and our founder and chairman Tim Guinness. As the highest body in our governance structure, the Board decides strategy and objectives and is responsible for directing all areas of Guinness Global Investors' business. It is therefore where ultimate responsibility lies for our stewardship approach. The Board meets quarterly.

The **Monthly Management Committee** is made up of all directors, portfolio managers and key staff from all departments of the firm. The committee meets monthly to cover all day-to-day business of the firm as its main executive decision-making body. Key roles for stewardship in the committee are as follows:

> The **CEO** chairs the committee and ensures that stewardship is embedded in all relevant areas of the firm. He also chairs the Responsible Investment Committee.
>
> **Portfolio Managers** are responsible for day-to-day implementation of our responsible investment approach.
>
> The **Sales & Marketing team**, in managing communications with investors, presents investor feedback on stewardship matters and is responsible for articulating our stewardship approach to investors.
>
> The **Compliance & Risk** team ensures that regulatory standards are met and that communications with investors meet necessary requirements.
>
> The **Ventures** team is responsible for working alongside investee companies to ensure implementation of our responsible investment approach.

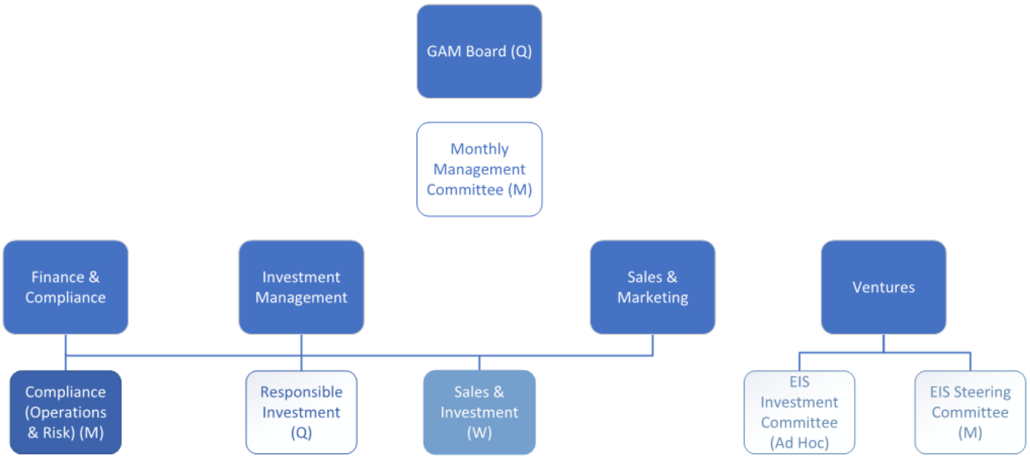
The **Responsible Investment Committee** is chaired by the CEO and includes all portfolio managers and representatives from the Ventures team. It monitors the implementation of our responsible investment approach. This includes but is not restricted to the following:

- Incorporation of ESG approach
- Investment team engagement with investee companies
- Investment team voting, including instances when third-party proxy advisers are not followed
- Collaborative initiatives
- Regulatory requirements
- Assessment of responsible investment capabilities and training requirements
- Staff and resourcing needs of our responsible investment approach
- Public Relations matters around responsible investment

Other forums important to our stewardship activity are the monthly Compliance (Operations & Risk) committee and the weekly Sales & Investment meetings. A schematic of key oversight structures is shown below.

Oversight structures

Figure 1: Key Oversight Structures



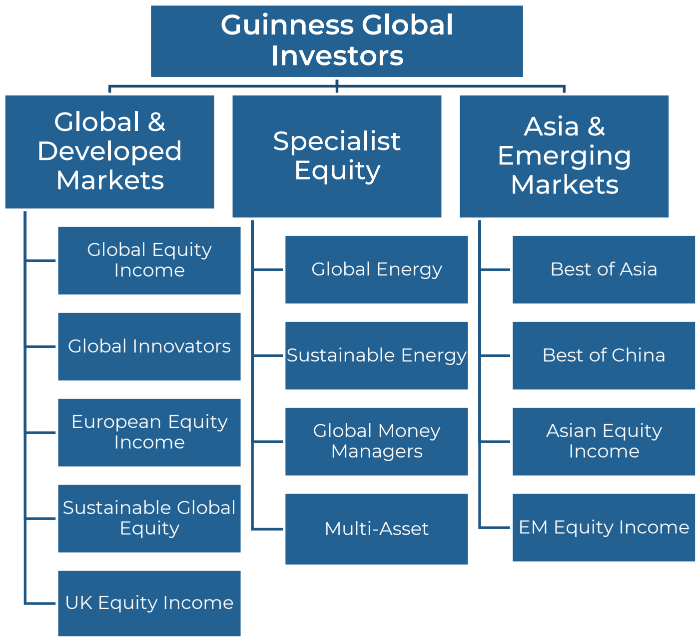
M/Q/W: Committee meets monthly, quarterly, weekly

Investment Team (long-only funds)

Figure 2 shows the organisation of our investment team and the strategies we manage. Within the investment team overall there are three individual teams; Global & Developed Markets, Specialist Equity and Asia & Emerging Markets, all of which have several different investment strategies. A major focus of each team is to invest in companies which have a history of generating high returns on investment. Our research indicates that these 'quality' companies are likely to continue to generate such high returns, leading to outperformance over time.

We manage funds which aim to harness the growth trends of the next few decades. Directing capital to areas where it can generate a return naturally has a wider economic benefit – be it in securing energy supplies for the future, in helping to bring Asian countries up to the standard of living of the West, or in encouraging the best companies in the world to expand – and this is a feature of all successful investment. Our aim is to do it in a way which also gives the investor a return.

Figure 2: Investment team key funds organisational chart



Team Characteristics

Responsibility for day-to-day consideration of RI, ESG Incorporation and stewardship lies with the investment teams themselves. We do not have a separate ESG team that carries out individual company ESG work; instead, the weight of this analysis falls on the analysts and portfolio managers who make the ultimate investment decisions. They are supported by our Responsible Investment analyst. We believe that this is the best way to make investment decisions and is consistent with our investment philosophy that responsible investment and ESG factors are an integral part of the investment process. It also ensures that the individuals responsible for our stewardship activity have suitable seniority and experience.

Our efficient investment processes – based on intelligent screening for the prioritisation of research – have the flexibility to incorporate ESG data and include new data and research over time. Analysing the increasing amount of information available is facilitated by having analyst support for the portfolio managers and by communication and sharing of analysis between teams. During the reporting period, in April 2021, we recruited a dedicated Responsible Investment Analyst who provides support to all investment teams and prepares company-wide analysis and materials.

Our investment personnel

Table 1: Long-only equity investment personnel experience

Strategies covered	Personnel	Average industry experience (years)
Global & Developed Markets	5 Portfolio Managers 1 Investment Analyst 1 Intern	11
Asia & Emerging Markets	3 Portfolio Managers	15
Specialist Equity	3 Portfolio Managers 1 Investment Analyst	23
Total investment team (inc. dedicated Responsible Investment Analyst)	11 Portfolio Managers 3 Investment Analysts 1 Intern	15

The investment team is at the heart of our investment management and stewardship activity. We are confident that we have not only a well-resourced team, but also a well-qualified one. Its 15 members, who have an average of 15 years' investment industry experience, have collectively achieved a variety of bachelor's degrees from history to physics, 10 Master's degrees, one PhD, eight CFA Charterholders, one CISI membership and one CAIA Charterholder, while two are Chartered Accountants. Three members of the team have completed the CFA Certificate in ESG Investing. Further training is coordinated by the Compliance & Risk team, while specific training in stewardship is a standing agenda item of the Responsible Investment Committee. The investment team includes a dedicated Responsible Investment Analyst recruited in 2021 to support all portfolio managers with data and reporting.

Ventures

The Ventures team of 14 has over 100 years of investment experience. Academic and industry qualifications gained across the team include 12 Bachelor's degrees, 7 Master's degrees, one PhD in Physical Chemistry, one CFA Charterholder and 3 Chartered Accountants. Members have been taking ESG training, and the team have integrated ESG into the due diligence process.

Diversity & Inclusion

Under our Diversity & Inclusion Policy we are committed to diversity and inclusion to cultivate a positive work environment, engender fairness and respect for all, embrace differences in individuals and oppose all forms of unlawful discrimination. 13% of Guinness Global Investors employees are non-white British and 28% are female. We will continue to explore ways to ensure diversity in our investment team, where we have a lower proportion of female fund managers and analysts and are using specific recruitment tactics to increase this proportion.

A member of our Investment Team is working directly with GAIN (Girls Are INvestors). GAIN is a charitable initiative which seeks to counter the lack of gender diversity in the investment management industry. GAIN offers talks, educational resources, career support and mentoring to inspire and encourage girls to enter the industry.

Training

Led by the Compliance & Risk team, we conduct thorough and regular monitoring of staff qualifications, training needs and development. In addition to regular training and assessment of investment team members on operations, trading, and regulatory requirements, we aim to identify areas where we can benefit from additional training, including on matters explicitly related to stewardship such as ESG data integration or our commitments under the Principles for Responsible Investment.

We encourage continuous professional development of employees and support those wishing to pursue further educational qualifications. All members of the investment team are encouraged to pursue CFA certification and the CFA Certificate in ESG Investing. Three members of the team have achieved the CFA Certificate in ESG Investing since its inception.

Systems, processes, research and analysis, and service providers

Our investment process has been developed to allow our portfolio managers to make decisions independently, efficiently, with conviction and with responsible investment principles fully integrated. Our systems, processes, research, and analysis are resourced accordingly. We use various resources to support our investment research and analysis of ESG factors in portfolio holdings and potential investments. We use public sources including annual reports, sustainability (or similar) reports, press releases and earnings presentations. Specialist investment data sources used include Bloomberg and research from brokers such as Credit Suisse and Morgan Stanley. For investment analysis most specifically related to ESG factors, such as emissions and climate data, diversity indicators and governance characteristics, we use MSCI, Glass Lewis and other third-party sources. We make use of publicly available information for ESG analysis from a variety of sources including Climate Action 100+, Glassdoor, and LinkedIn. The data we use can be usefully benchmarked against relevant indices from index providers. This research is used to inform our investment decisions and complements bespoke in-house analysis and assessment of particular issues. We do not rely on the recommendations or opinions of research providers or third-party ESG scores. We discuss examples of how this data is embedded into the analysis process under **Principle 7**. Further detail on third-party service providers can be found under **Principle 8**.

Voting recommendations are provided to us by Glass Lewis, a proxy voting adviser. The investment team members themselves are responsible for reviewing Glass Lewis voting recommendations with the support of our Responsible Investment Analyst. Under **Principle 12** we elaborate on our voting process.

Ventures

The investment process for the Ventures team embeds stewardship throughout, as the team works directly with the prospective investee companies. From the beginning, a comprehensive ESG diligence process is undertaken to ensure that from screening through to investment, ESG considerations are at the forefront of the process. ESG topics are recorded through questionnaires with the companies, allowing for targets to be set for companies to improve and for progress to be monitored. ESG metrics are tracked within the portfolio companies and published on an annual basis. The investment committee reviews memos, sets budgets and timelines to ensure objectives are met. A team member will usually take a board seat on the investee companies, or an observer role where appropriate, and regular management reports and financial statements allow the alignment of the direct interests between Guinness and the company. This allows continuous stewardship activity to take place, with ongoing direct engagement and influence on the running of the organisations.

Incentivisation

Guinness Global Investors is owned by its employees, which we believe creates a strong incentive for the robust stewardship practices which investors demand since the firm’s value and income generation depend on attracting investor capital into our funds. As stewardship has become more valued by investors, our ability to demonstrate effective stewardship has become critical to attracting flows. This is especially true for Guinness as the manager of strategies explicitly focused on sustainability.

We enhance accountability and extend the alignment of incentives to our responsible investment approach by incorporating responsible investment factors into employee remuneration. Employees are compensated with both fixed and variable remuneration, with variable remuneration determined by a qualitative review by senior management. This review incorporates an assessment of the individual's contribution to the success of both their team and the firm, in addition to the financial success of the company and compliance with our policy on responsible investment. Our Remuneration Policy complies with remuneration requirements imposed by Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

Our governance structures and processes – effectiveness and development

As active managers who place responsible investment at the heart of the investment process, we believe that resourcing our stewardship activities with the investment team itself, with dedicated assistance as required, is the best way to ensure effective stewardship. Our governance around responsible investment has demonstrated effectiveness in responding to demand for resources for effective stewardship, most notably in the reporting period with dedicated responsible investment personnel and investment in ESG data.

We have also improved our reporting functions within stewardship to clients. We have begun reporting our voting data in more depth and are currently developing our engagement data to demonstrate our achievements in this field. We publish our voting data quarterly on our website. We discuss this more under **Principle 12**. Under **Principle 5**, we discuss monitoring in further detail. We expect further development of our stewardship approach. In the near term this will include more transparency to clients on stewardship activity, and increased training for the whole team on ESG matters. In the longer term, we expect our approach to stewardship to evolve with the increasing quantity and quality of analysis.

Ventures

The Ventures team approaches stewardship more directly with investee companies due to its close contact with companies' management. By having explicit involvement on investee company boards, members of the Ventures team can have the most direct influence on a company. The team have worked to improve ESG integration among investee companies, helping them to improve disclosure of core metrics. By improving this reporting function, it enables the team to work with investee companies to improve areas of their businesses and improve their own reporting functions to clients. Collaborative work between our Responsible Investment Analyst and the Ventures team allows for organisational alignment between the teams, to ensure the most effective stewardship activity can take place across Guinness Global Investors.

Principle 3 - Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Conflicts of Interest Policy

When making investment decisions, or buying products and services for customers, we have a duty to act in customers' best interests and put customers' interests ahead of our own. We must also treat customers fairly. Conflicts of interest that arise or may arise as we manage investments may damage the interests of clients. We therefore seek to identify and prevent or manage such conflicts. We believe this issue lies at the heart of stewardship.

We maintain a Conflicts of Interest Policy (summarised below), the purpose of which is:

a) to identify circumstances which constitute or may give rise to a conflict of interest
b) to ensure customers have fair access to all suitable investment opportunities
c) to specify procedures to be followed and measures to be adopted in order to prevent or manage such conflicts
d) to communicate this information to our employees.

Situations in which conflicts of interest may arise include the following:

a) Trading for House Accounts

Guinness Global Investors does not trade on its own account or invest in any securities which are also in a client's portfolio. The firm may invest in funds which are also its clients.

b) Trading for more than one client

There is the potential for conflict whereby one client is favoured over another, for example where clients have different fee structures or where employee remuneration varies between clients. To avoid this, we have a trade allocation policy to ensure fair treatment of clients.

For the purposes of trade allocation, clients of our associated companies Guinness Atkinson Asset Management Inc. and Guinness Capital Management Limited are subject to the same rules and are included alongside our clients.

c) Taking excessive risks with client assets

There is a potential a conflict of interest where an employee's remuneration may be asymmetrically advantaged by taking excessive risks with client assets.

To avoid this, we try to limit fund managers' ability to take excessive risk structurally and avoid rewards for short term performance.

Structurally, we have a portfolio construction philosophy of equal weighting portfolios (so avoiding excessive specific stock risk) and low portfolio turnover. This is complemented by transparent and regular reporting processes to clients, potential investors, and management.

Remuneration is not linked to the performance of any specific fund in any one year but is linked to the overall profitability of the business and where there is a formulaic element to the revenues of the funds managed by the relevant employees. Only the ventures team has performance fees, and these are only earned on realised profits for investors on a whole portfolio basis.

d) Personal account dealing by employees

A potential conflict of interest arises if an employee undertakes transactions in a security which is or might be held within the portfolios that we manage on behalf of our clients, particularly where an employee deals in a security ahead of clients. To avoid such a conflict, all employees are subject to personal account dealing rules which include the following measures:

- Priority is given to client orders in all circumstances
- Prior approval by the Compliance department
- Regular reporting and review by the Compliance department

- Prohibition on the use of inside information; personal deal reporting rules; strict insider confidentiality rules; and 'Restricted List' processes where applicable to ensure the prohibition is effective.

e) Inducements, particularly in the form of free Research, Gifts and Hospitality

Under MiFID II we are prohibited from accepting certain inducements (including types of investment research that is either free or paid for by someone else, and unduly generous gifts and hospitality).

Guinness Global Investors meets the requirements of MiFID II by paying for investment research itself. We do not charge clients for investment research. We may accept specifically permitted gifts and hospitality of a reasonable de minimis value such as food and drink or notebooks received at a business meeting.

To ensure the rule exceptions are complied with, we keep a Gifts and Entertainments Register to record details of entertainment or corporate hospitality received where the value exceeds £100. In addition, where the value exceeds £500, prior approval is required.

f) Anti-Bribery and Corruption

The Firm has a zero-tolerance approach to bribery and corruption. The zero tolerance to bribery extends to all the Firm's business.

Staff are subject to the Firm's Code of Professional Conduct and Ethics, which includes rules on Anti-Bribery and Corruption. Employees are required to sign an annual certification of compliance with the Code.

Identifying & managing Conflicts of Interest

During the reporting period our Conflicts of Interest Policy described above has been applied as part of the Compliance & Risk team's rolling internal compliance programme. Under the policy, the Conflicts of Interest Register has been updated for 2021 with potential conflicts and external interests of employees, including new employees at induction. These are reviewed by the compliance officer to establish if any conflicts are high risk or if mitigation measures are required to be put in place. For example, if an employee is a director of a company, further investigation will be made into the company's business to clarify whether the directorship constitutes a potential conflict, and if so, the level of risk and whether mitigating measures in place are suffi8cient.

No actual conflicts of interest were identified in the reporting period at the individual level, in the situations described above, or relating to stewardship. Example scenarios in which potential conflicts of interest were managed are shown in **Table 2**.

Table 2: Identifying and managing Conflict of Interest Scenarios

Scenario	Political Conflict Identified	Managing the Potential Conflict
Firm-level: trading for 'mirror' portfolios	We manage multiple funds that hold the same securities. Differing fund cash flows may require the same security to be sold for one fund and bought for another.	A Trade Aggregation and Allocation Policy is in place. When this happens, both buy and sell orders will be placed in the market to achieve best execution for both clients.
Stewardship: Voting on securities held in common	Different investment teams may vote differently on the same securities when held under more than one strategy.	While they do not confer prior to voting, portfolio managers are responsible individually for making voting decisions according to their view of clients' best interests, subject to our Proxy Voting Policy.
Employee-level: external interests	Employees of Guinness Global Investors have external interests, including in the investment management industry.	The nature of business conducted and the employee's role in connection with external interests are checked to ensure that there is no actual conflict of interest.

Principle 4 - Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Identifying & responding to market-wide & systemic risks

Our business model and the integrated nature of financial services requires Guinness Global Investors to be an outward-looking company. Risks in the business environment in which we operate are regularly assessed at the highest level, including by the company's board of directors. There are several other forums in which emerging and current market-wide and systemic risks can be identified and considered, including the investment team's monthly meeting to consider the macro environment, quarterly Responsible Investment Committee meetings and monthly meetings of senior management.

Guinness Global Investors regularly engages with a number of external stakeholders, for example, service providers, clients, peers, industry groups which helps to identify risks. We are also members of UKSIF, Investment Association (IA) and Independent Investment Management Initiative (IIMI) and take part in member consultations and round tables which inform the organization's policy engagement with the UK government.

As investment managers benefiting from a well-functioning financial system, we recognise our obligation to address market-wide and systemic risks in addition to investment risk, operational risk, and other risks we seek to control. Our response to market-wide and systemic risks takes several forms:

- We offer products with straightforward investment structures such as our open-ended funds with daily liquidity for investors
- Our equity funds take a long-only approach, with no short positions, derivatives, or over-the-counter products
- Our equity funds take a long term, 'buy and hold' approach
- Our equity funds do not use leverage
- We manage highly liquid investments and monitor the liquidity of holdings closely
- Our equity selection approach favours profitable companies with robust balance sheets
- We value 'knowing what you own' and understanding the numbers – and typically we avoid 'story' stocks with high valuation multiples.

Our intention in taking such measures is both to protect investors in our products from market-wide risks and to contribute to the proper functioning of markets by offering stable and liquid investment options to investors. The relevance of our contribution to the proper functioning of markets will increase as the assets under our management grow.

While Guinness Global Investors is still a relatively small asset management company, we recognise that the company could nevertheless be perceived to have a political voice which could affect the wider discourse around responsible investment in the industry and political arena. Guinness Global Investors does not make political donations. To further ensure that public perception of Guinness Global Investors' stance on responsible investment is consistent with our objectives, the Responsible Investment Committee (chaired by the CEO) reviews any public relations activity concerning responsible investment with reporting from a representative of the sales and marketing team.

During the reporting period we have responded to several risks including the ongoing impacts of Covid-19 and the climate emergency. We comment on these as follows.

COVID-19

In order to ensure resilience of our operations we maintain a Disaster Recovery Policy and procedures. These have considered the risk of disruption due to a pandemic and of the office being inaccessible, and contained measures to mitigate it, for several years.

Presented with the realisation of a key systemic risk in 2021, early in the reporting period, in the form of continued increased incidence of Covid-19 and ongoing lockdowns, our Disaster Recovery Policy enabled employees to work effectively from home without disruption to our business. Guinness adapted to a larger online presence following its transition to working from home, interacting with investors through online client meetings and webinars, and amending dealing procedures to replicate any activities that were previously linked to an individual being in the office.

Related risks which became apparent in the particular circumstances of the pandemic, such as increased risk of cyber-attacks and decision-making risk, were systematically incorporated into our risk assessment and we took appropriate incremental measures to address these risks. Risks to our investments were assessed continuously as part of the investment team's day-to-day monitoring.

How we align our investments accordingly

In general, as long-only investors with a focus on the financial quality of securities in our portfolios, our philosophy places greater importance on actively seeking investments where resilient business models have the potential to create value in the long term than reactively addressing the varying drivers of financial markets. The disruption arising from the pandemic did not prompt any large or sudden changes to our portfolios. Nevertheless, all holdings and the macro environment are reviewed regularly by the investment team.

Brexit

The potential impacts of the UK leaving the European Union were considered frequently by the Senior Management Committee since the period preceding the 2016 referendum, especially on our continuing authorisation to act as investment manager to UCITS funds domiciled in the European Union and to market investment products to investors in both the United Kingdom and the European Union.

How we align our investments accordingly

When considering the impact on investments from regulatory changes like those relating to Brexit, we are guided by our philosophy much as described above; that is, in taking a long-term view, thinking about the problem from an investors' perspective and paying close attention to the individual securities in which clients' capital is invested. We continue to monitor both the evolving rules and regulations and the ways in which they are being interpreted.

Climate Change

Guinness Global Investors Ltd is a responsible and forward-looking company and we are aware that there are risks and opportunities to our business and our investee companies as a result of the changing climate.

How we align our investments accordingly

We are developing an approach to help identify and manage material climate-related risks and opportunities in our portfolios. As a supporter of the goals of the Paris Agreement and as a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), we seek improved climate disclosure, where possible, through our company engagement and continue to evolve our investment approach with respect to climate-related risks.

This policy on Climate Risk covers:

i. Our approach to seeking greater disclosure around the climate related risks for our investee companies in accordance with the TCFD
ii. The monitoring of our direct carbon footprint, to minimise our impact on the environment and contribute to a sustainable future.

Our Responsible Investment Analyst has a specific climate risk role to ensure that climate-related risks are suitably monitored.

Task Force on Climate-Related Financial Disclosures (TCFD)

Guinness Global Investors is a public supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), and we seek improved climate-related financial disclosure that is consistent, comparable, reliable, and clear to enhance our investment processes. We are fundamental, disciplined, long-term investors and we seek the additional disclosure to help us fully consider the risks and opportunities that may arise from the changing climate.

From our long experience of investing in energy, we are well placed to consider ESG and climate-related issues in our modelling work and sensitivity analysis. We believe that this is in our clients' interests.

Our climate-related risk analysis is directed by the Responsible Investment Committee, starting with 2020 data, on at least an annual basis. The results are shared with the investment teams. The risk analysis process essentially seeks to answer the following questions for every investee company in our equity funds:

- What is the impact of this investee company on the environment?
- To what extent might legislation, regulation, or carbon taxation alter the valuation of the company?
- What is the impact of the environment on this investee company? And to what extent might extreme weather patterns affect the operation and valuation of the company?

Where it is suitable, we will typically engage with those investee companies that either have poor disclosure or that appear to be suffering the greatest climate-related risks, and, at a minimum, request greater climate-related risk disclosure.

The Global Investment Team launched an engagement programme to engage with portfolio companies that do not report to CDP. This engagement programme is ongoing, and results are recorded in the engagement log which is discussed further in **Principle 9**.

We have seen positive progress with climate-related engagement in the reporting period. We document this within our corporate level engagement log, and a separate Sustainable Energy Engagement matrix which measures the evolution of climate disclosures, targets, and positive climate impact for each portfolio company from FY2018 onwards. For example, in FY2018 60% of holdings disclosed carbon emissions and 53% disclosed carbon reduction targets, vs 81% and 81% respectively in FY2020.

The Specialist team has engaged regarding disclosure and target setting within their portfolio companies, including alignment of targets to executive remuneration. This analysis also feeds into our voting activity when reviewing proxy votes. Further details on this can be found in our voting policy.

Case Study: Gentherm - Disclosure

Gentherm is a world leader in thermoelectric and climate-controlled seats for the automotive industry. When we first spoke with the company, we asked them if they could provide an estimate for the positive impact from their products. They informed us that they were working on producing their first sustainability report which would contain some of the information we were asking for.

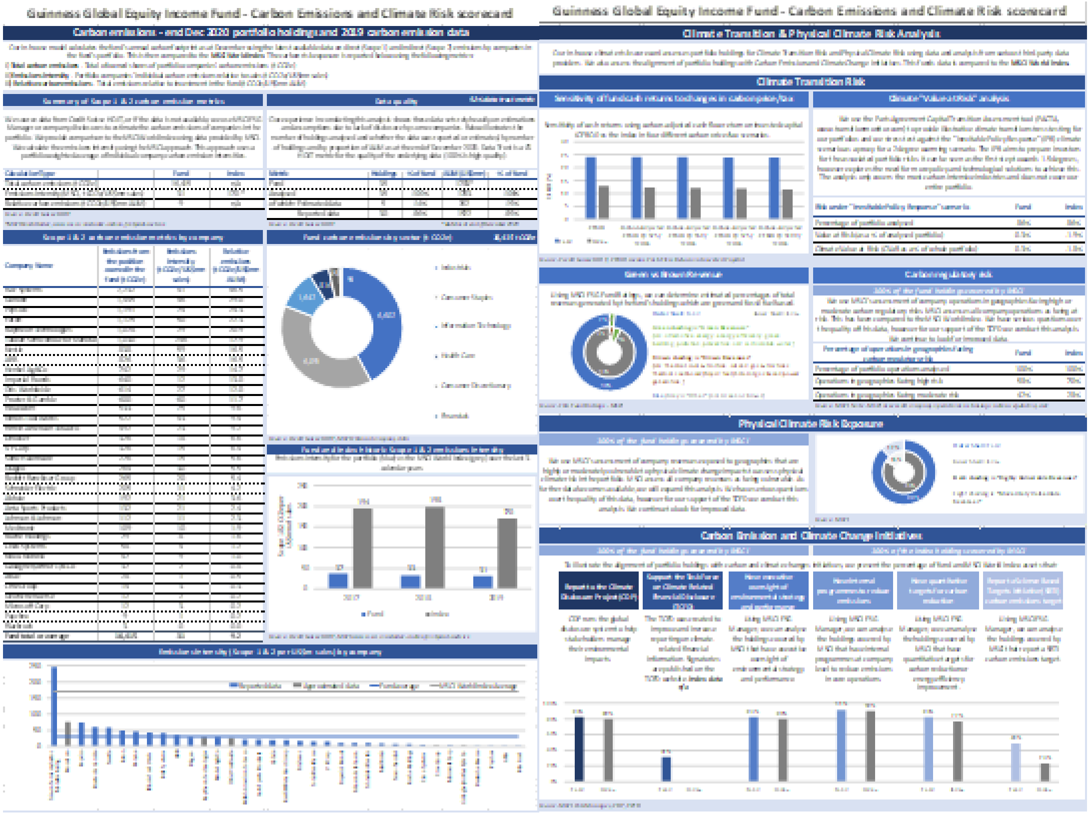
The first sustainability report was released, providing data gleaned from NREL testing which suggested that the company's Active and Vent Climate Control Seats lowered vehicle CO2 output by 1.5-4.4 grams per mile. The company also disclosed its scope 2 emissions but had not reported on scope 1 emissions. Following on from the report, we emailed the company, encouraging them to disclose both their scope 1 and 2 carbon emissions and to look into producing TCFD-aligned disclosures. Shortly after, we took part in an investor perception survey, reiterating that the company's ESG disclosures needed further improvement, especially relating to climate and TCFD.

In the most recent sustainability report, the company disclosed both its scope 1 and scope 2 emissions and has committed to producing TCFD-aligned disclosures.

We have created carbon emissions and climate risk scorecards for our equity funds which calculate each fund's annual carbon intensity compared to the MSCI World Index (or relevant benchmark). The scorecard uses data and analysis from various third-party data providers to assess the portfolio holdings' transition risk and physical risk exposures and the alignment to carbon emissions and climate change initiatives against the associated index. We use these scorecards in-house at present.

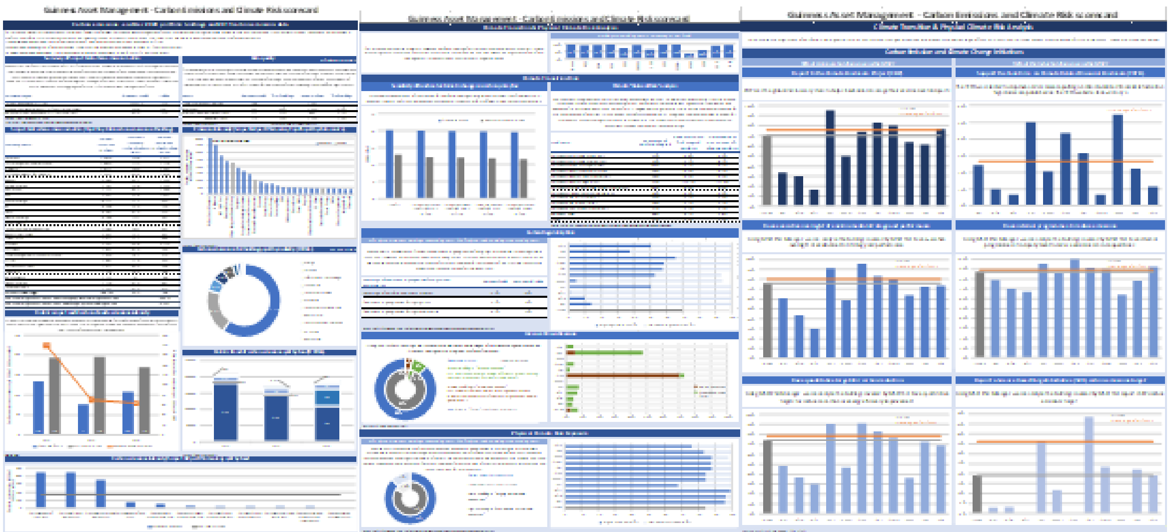
Figure 3 shows a sample of our carbon emissions and climate risk scorecard from the reporting period. Our scorecards use end of December 2020 holdings and 2019 carbon emissions data as the latest data available.

Figure 3: Sample Carbon Emissions and Climate Risk scorecard



Our scorecards for carbon emissions and climate risk at the portfolio level enable us to assemble the same data for all our equity portfolios and to monitor the data at a company level. Figure 4 shows a sample of this reporting during the reporting period. This also uses end of December 2020 holdings and 2019 carbon emissions data.

Figure 4: Sample Corporate Level Carbon Emissions and Climate Risk scorecard



We conduct analysis to understand carbon and climate related risks. This analysis has fed into our engagement activity and has had an influence on our collaboration with external initiatives. At Guinness we believe working collaboratively with other investors and investor groups allows us to achieve better outcomes, both for the market and our individual clients. We participate in several external initiatives, which we detail further later in this section. For example, as part of the Specialist team's activity, the Global Energy Fund is part of the Devon Energy CA100+ group. We discuss this engagement in **Principle 10**. A member of our investment team is also the chair on the UKSIF analyst committee. This allows us to raise issues and questions more easily with like-minded peers to allow for collaborative discussions with experts in the area. As we begin to better understand our portfolio companies' exposure to carbon and climate risk through our analysis, it will allow us to make more meaningful next steps in our investment processes.

There is room for improvement in our approach to recognising and responding to systemic and market risks, especially in the climate area. However, we are in the early stages of this analysis, and we will continue to develop our approach. We are confident as disclosure improves and we enhance our expertise in this area, we will roll out more thorough analysis across all portfolio holdings. This is an ongoing topic of discussion in our Responsible Investment Committee meetings.

Carbon Usage at Guinness

Carbon Usage Policy

In line with our desire for our companies to report emissions data, we believe it is consistent for us to record and publish our own emissions data.

Since 2018, Guinness Global Investors has had a Carbon Usage Policy. Office energy consumption, waste and travel are the greatest contributors to our carbon footprint and remain the key areas of focus. Our carbon management strategy to reduce our direct carbon footprint involves:

- Measuring and reporting our carbon footprint
- Minimising our emissions by improving operational efficiencies and investing in technological innovation
- Working with our service providers to understand the opportunities to improve our carbon usage
- Encouraging and helping our employees to reduce the emissions they generate in their working lives

We measure our carbon footprint, using DEFRA and other internationally recognised metrics, and report them via our carbon usage scorecard.

Guinness Global Investors: 2021 carbon usage scorecard

Guinness Global Investors' carbon usage in 2020 is based on approximate data and has been estimated using the Government's Greenhouse gas reporting: conversion factors.

Due to the COVID-19 pandemic nearly all employees worked from home from March 2020 until mid-2021. During the peak of the pandemic the office remained open throughout with one key employee working there daily and travelling on foot and an average of four other employees attending on an intermittent basis. During 2021, there was an increase in attendance by employees. Travel figures have been estimated through the attendance of individual employees who attended the office on a frequent basis during the reporting period. The estimates for electricity and gas are based on the utility bills provided by our landlord. We have also included the estimated electricity usage from employees working from home. This work from home calculation methodology is authored by EcoAct.

The results for 2021, the latest available, are summarised in Figure 5.

Please note this scorecard is made on a best-efforts basis, based on internal estimates, and unaudited. This activity is completed on an annual basis when data becomes available.

Figure 5: 2021 Guinness Scope Emissions

2021 GAM Carbon Usage Summary	
	Estimate Tonnes CO_2e (tCO_2e)
Scope 1	
Buildings	
Gas Usage	17.7
Total Scope 1 emissions	**17.7**
Scope 2	
Buildings	
Electricity Usage	8.0
Total Scope 2 emissions	**8.0**
Scope 3	
Buildings	
Working from home*	
Working from home Electric Usage**	2.6
Working from home Gas Usage**	46.9
	49.5
Travel	
Business Travel	
Flights	
Domestic (UK)	0.1
European	1.0
US	0.0
International (RoW)	0.0
	1.2
Other	
Cars	0.1
Rail	0.2
Taxis	0.1
Tube	0.0
	0.3
Commuting (excludes walking/bicycle)	
Rail	3.4
Tube	0.4
Bus	0.1
Car	6.1
Motorbike	0.0
	9.9
Total Scope 3 emissions	**60.9**
Total Estimated Carbon Usage (tCO_2e)	86.6
Total Estimated Carbon Usage per employee (tCO_2e)	**1.7**

**Working from home emissions are considered scope 3*
***based on employees working from home*
****based on 52 employees*

Further commentary on our carbon usage

Our office is located on one floor of an office block in London. The building benefits from new and efficient mechanical and electrical equipment which was installed in 2017 when the entire building was refurbished. Although most employees are currently working from home the company-specific measures that were already in place to reduce our carbon footprint remain the same and include the following:

- An annual carbon usage report to monitor our carbon emissions
- A ‘cycle to work’ scheme to encourage employees to use low carbon transport. The vast majority of our employees use public transport or bicycles to commute to work.
- A salary sacrifice scheme to encourage employees to lease or buy zero-emission vehicles.
- Staff are encouraged to use public transport when attending meetings with external parties.
- We regularly use video calling to avoid unnecessary travel and associated carbon emissions.
- We encourage conservation of water and other resources.
- No office waste goes to landfill. We recycle all paper and plastics and have a food and compostable bin in the office. General waste is incinerated.
- The office has a well-equipped kitchen so the use of unnecessary single-use plastic can be avoided.
- Internal documents are printed double-sided whenever possible to save paper and employees are encouraged to avoid unnecessary printing.
- Energy-efficient and motion-activated LED lights are installed throughout the office.
- The office has an open workspace layout, which requires fewer lights and other appliances than separate cubicles.
- Staff are encouraged to switch off computers and other electronic devices overnight.
- Electronics are usually re-used or recycled.

Involvement with stakeholders & industry initiatives to offset risk

We participate in relevant industry initiatives to promote the proper functioning of markets, responsible investing, and the management of market-wide and systemic risk. These include:

The Investment Association (IA) has over 200 full members managing over £8.5 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 its 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. One member of our investment team is the Chair of the UKSIF analyst committee.

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.

The Task Force on Climate-related Financial Disclosures (TCFD) seeks to improve the availability of information needed for climate-related risk management. By being a supporter, we are part of the effort to promote informed capital allocation. We discuss earlier in this Principle our effective contribution to this initiative as presented through our carbon and climate scorecards.

Climate Action 100+ is a collaborative engagement programme through which Guinness Global Investors engages with Devon Energy, a $15bn US listed oil & gas producer with operations mainly in the US. 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. Further details are provided under Principle 10, where our effectiveness is demonstrated.

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 has recently been invited to join the leadership team of the CFA UK Impact Investing special interests' group.

Octo Members is a private group for financial services professionals. The community showcases good people, writing and talking about what they do and how they do it. They debate hot topics and share good short, actionable thought leadership amongst peers. It is a pan sector approach to allow all to discuss that affect us from individual perspectives. This leads to exploring better business practises and client outcomes. Videos, podcasts, questions, answers, panel discussions all enable members to connect, share and engage.

Principle 5 - Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

Reviewing our policies

Our responsible investment approach has resulted in an evolving Responsible Investment Policy and the ways in which we assess our effectiveness include:

- Tracking of internal and external ESG scores for portfolio holdings over time
- Third-party ESG ratings for our funds
- Full disclosure of fund portfolio holdings to enable investor and third-party assessment
- Liquidity and low volatility of our portfolios
- Engagement tracking by investment teams
- Carbon intensity of our portfolios
- Climate reporting
- Estimated contribution of the CO2 displaced by the product and services of the companies in the Guinness Sustainable Energy Fund portfolio, disclosed in its Impact Report
- Mapping of the Guinness Sustainable Energy Fund portfolio to UN Sustainable Development Goals, disclosed in its Impact Report
- Tracking collaborative engagement progress with Devon Energy as part of the Climate Action 100+ initiative
- Tracking and analysing proxy voting results on an individual and corporate level
- Screening, identifying, and monitoring ongoing controversies

Those activities that are outside the scope of this report are reported elsewhere (for example in the Guinness Sustainable Energy Fund Impact Report) or monitored internally.

The Responsible Investment Committee was established in 2020 as a dedicated forum to bring together the coordination of our increasing responsible investment activity. The Committee is chaired by the CEO and includes all members of the investment team. It carries out the corporate level screening, engagement and other responsible investment activities that are detailed in our Responsible Investment Policy. We increased the frequency of Responsible Investment Committee meetings to at occurring at least quarterly due to the breadth of information to cover. An agenda is set for each committee meeting, minutes are taken, and follow up actions are made. The Responsible Investment Policy is reviewed quarterly in line with the Committee meetings, to reflect progress and changes made in the quarter.

Internal & External Assurance

We are signatories of the UN PRI, which provides external assurance on our stewardship approach broken down by activity. Our latest Assessment Report, published in 2019, we received the following scores:

- ‘A’ for Strategy & Governance
- ‘A+’ for Listed Equity- ESG Incorporation
- ‘B’ for Listed Equity- Active Ownership

PRI Principles for Responsible Investment

We await our 2020 Assessment Report.

Other than the UN PRI assessment, we believe internal assurance of stewardship is appropriate for the scope, level and resourcing of our activities and the nature and style of the investment management we perform.

All our policies are internally reviewed by the Compliance team, followed by senior management, and where necessary, the Board. This ensures policies are aligned directly with Guinness’ purpose, strategy, and obligations.

In line with the high standards of governance required in investment management, each fund has dedicated portfolio management and analyst resource and oversight from an external board, management company or Authorised Corporate Director in a fund structure that is completely separate to Guinness Global Investors. Internally, the Guinness Board maintains oversight over the risk and holdings of the portfolios, in particular, with oversight over Risk, Compliance, and the responsible investment approach itself.

Fair, balanced & understandable

At Guinness we aim to report on all stewardship activities in a fair, balanced, and understandable way. Stewardship activities and reporting is completed by the investment team who are directly involved in the investment process.

Stewardship activity and reporting is reviewed in the Responsible Investment Committee meetings, and by marketing and compliance to ensure data is represented in a fair, balanced, and understandable way. Certain documentation will be referred to the Board for approval.

Improving our stewardship policies and processes

At Guinness we have continued to improve stewardship polices and processes. In response to the increased emphasis placed on transparency of engagement and engagement outcomes, we have developed our engagement recording model used by the investment team. We redesigned our engagement log to capture greater detail about team and corporate-level engagements and the outcomes of these engagements, including measuring engagement progress against a set of milestones. We now have a single engagement tracker used across the investment teams, enabling a more collaborative stewardship approach across the company. Further detail on our Engagement processes can be found under **Principle 9**.

As outlined under **Principle 12**, we have also developed our voting record outputs to incorporate an increased breadth of data and results on each team's voting decisions. This allows the investment team to identify specific voting characteristics within teams and per fund, to help identify necessary next steps in our stewardship journey.

The increased frequency of Responsible Investment Committee meetings allows discussions encompassing current stewardship activities and appropriate improvements to our current processes.

Ventures

Within the Ventures investment team, we have implemented a comprehensive ESG due diligence process from screening through to investment to ensure that ESG is a priority. We take an active role in working with investee companies, sitting on boards, and working with investee companies to collect this data, making them aware of the importance of this disclosure and using this as a risk mitigation process. It also allows for the opportunity to improve areas of their business lagging in this area, to improve the organisation. Through the collection of data, we can improve our own disclosure for clients in the long run to satisfy their needs.

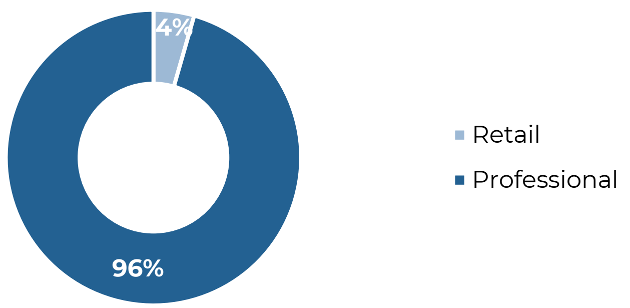
Principle 6 - Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Our Client Base

In managing our funds, we provide our services under the terms of Investment Management Agreements with investment vehicles such as UCITS funds. Strictly speaking, therefore, Guinness Global Investors' 'clients' are the funds themselves; we do not have direct relationships with individual investors. While this structure provides various benefits for efficiency, governance, and investment outcomes, we still need to understand the needs of the underlying investors in our strategies in order to provide effective investment outcomes and stewardship. Most investors in our funds are professional intermediaries such as wealth managers and independent financial advisers. Our investors' capital comes from the UK and Channel Islands (38%), Europe excluding the UK (41%), and the rest of the world (21%).

Professional vs Retail

Figure 6: Professional vs Retail investor base by value

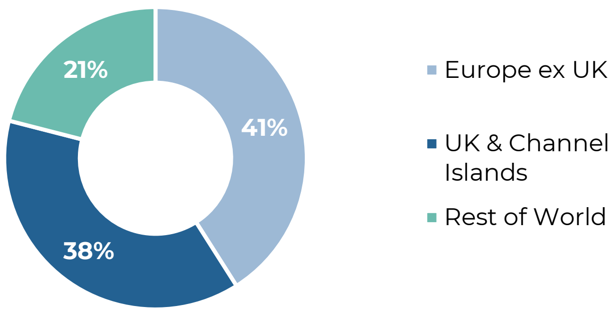


As of 31st December 2021

Source: Guinness Global Investors

Geographic Distribution

Figure 7: Geographic distribution of investor base by value



As of 31st December 2021

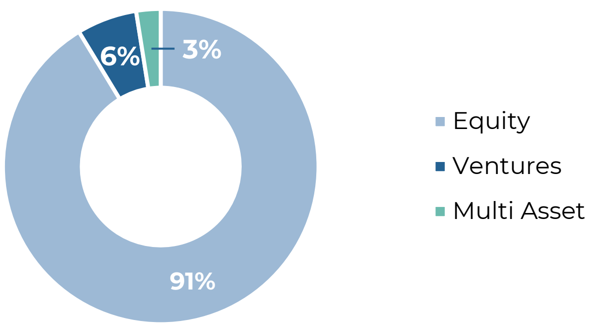
Source: Guinness Global Investors

Assets Under Management

Most of our assets under management are in Equity, and a small proportion in the Ventures Service and Mixed assets. As figure 9 shows, 87% of the total value of securities in which we invest client capital is domiciled in the developed markets of North America and Europe. Most of the remainder is accounted for by Asia.

Asset Classes

Figure 8: Asset Class Distribution of Assets Under Management

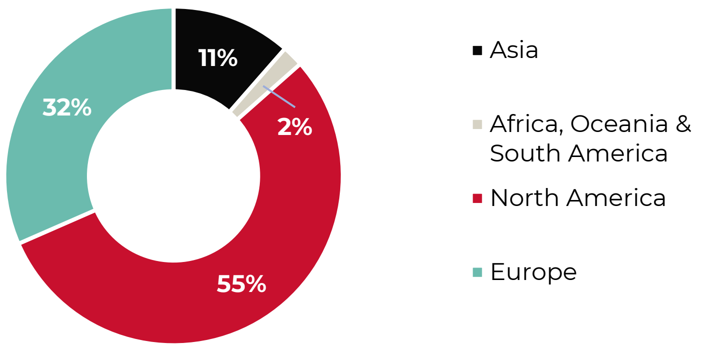


As of 31st December 2021

Source: Guinness Global Investors

Geographic Distribution

Figure 9: Geographic Distribution of Assets Under Management



As of 31st December 2021

Source: Guinness Global Investors

Investment Horizon

At Guinness, funds are managed with a long-term time horizon. We recommend a holding period for investors is at least five years on the grounds that increasing the likelihood that the value we have identified in an investment opportunity will be realised requires an investor to invest for a relatively long time. Accordingly, a typical holding period of a stock in our portfolios is three to five years.

Since we manage pooled investment vehicles with large numbers of underlying investors, we cannot target the exact time horizon requirements of each. For this reason, we aim to make it clear that holdings in our funds should be regarded as long-term investments.

Ventures

The Ventures target holding period is four to five years between purchase of shares and exit. Investors need to be prepared to have their investment tied up for at least this length of time before investing.

Clients

Clients' Views

We seek investors' opinions on our approach to responsible investment and do this through interactions with our sales team. The investors in our strategies are almost entirely professional investors, at whom our communications programme is chiefly aimed, although self-directed investors (representing c.3% of our total AUM) are also able to access our written publications on our website.

Communicating with our clients

In our effort to provide effective investment management, we aim to be responsive to investors' investment and stewardship preferences while continuing to act in accordance with our stated philosophy and objectives. In addition, we will always seek to meet our contractual and regulatory obligations. In managing pooled investments, we cannot directly satisfy investors' individual preferences, so we clearly communicate our investment philosophy and approach to stewardship, while investors are free to redeem their investments at any time. This framework allows investors to decide whether we fit with their stewardship and investment policies.

Formal reporting takes place quarterly to the boards of those clients which are funds.

Our extensive communications programme to the underlying investors in those funds includes the following:

- Meetings with our sales representatives and portfolio managers
- Monthly written investment commentaries
    - Produced by the investment team
    - Reviewing strategy and market performance and outlook
    - Covering all stock changes to the portfolios with rationales
    - Risk analysis, portfolio, and performance data
- Quarterly webcasts
- Annual written investment commentaries

Our investment commentaries cover matters of responsible investment where relevant, to buy and sell decisions, performance, or outlook.

Ventures

- Guinness Ventures reports to clients on a semi-annual basis, providing a review of each investee company as well as a detailed valuation statement of each holding.
- Contract notes and tax certificates are provided on each investment, as well as ad hoc communications relating to corporate news.
- The Investor Portal allows investors to access up-to-date valuations and cash statements as well as providing online access to ancillary information such as tax reports, investor letters and contract notes.

Evaluating the effectiveness of client communication

Our primary resource for communicating with clients is our sales & marketing team, who use our systems of client communication to monitor and evaluate its effectiveness. Most importantly, we dedicate the resources to our sales & marketing team so that they are available to respond to clients. All communications with clients are recorded, along with their frequency and nature. This helps us to ensure that clients are receiving the information they require and that we have regularly had opportunity to assess their requirements and hear their views. We monitor the distribution of our regular communications programme to evaluate its effectiveness, for example by the number of investors opting in or out of regular emails and reviewing the traffic to our website. Our quarterly webcasts give investors the opportunity for real-time questions. From time to time, we survey groups of clients directly.

Through frequent and ongoing communication with clients, we are confident that we are providing the essential reporting documentation for our clients to meet their own reporting obligations.

Taking client feedback into account

As investors' interest in stewardship has increased, they have initiated discussion, requests for information and meetings with us more frequently. These are a key mechanism of client feedback, whereby responding to scrutiny from investors and potential investors helps us to become aware of areas of potential improvement. Many of the areas of development described in this document arise from our attempt to satisfy investor demand for a robust approach to stewardship.

In response to client demand, for example, we investigated the potential to implement a policy of excluding thermal coal from our Global Energy strategy. After ensuring that this was compatible with our investment strategy, mandate requirements and philosophy, we put a formal exclusion policy in place for all our equity funds.

A further example of action taken in response to client feedback is our plan to build a dedicated responsible investment area on our website. This will be home to several aspects of responsible investment reporting, including stewardship reporting, enabling investors to complete their own reporting more easily. The Ventures team will also have separate ESG disclosures made available, in response to the increasing demand.

Principle 7 - Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Assessing investments

Our investment process places importance on return on capital and the sustainability of returns. We use intelligent screening to prioritise research and to generate ideas followed by a thorough due diligence process. Companies that have achieved sustainable growth in cashflows and have managed businesses well through economic cycles are likely to continue to do so. Behaving responsibly from an environmental and social perspective is a good indicator that company management are thinking long-term. ESG Incorporation at Guinness Global Investors therefore includes various combinations of 1) Integration of ESG, 2) Screening and 3) Thematic approaches across various strategies, depending upon region, sector, product design and data availability. Each approach is enacted by the investment team of the strategy concerned.

Differences between our funds

United by a shared investment philosophy, our investment teams use the same ESG incorporation approach, supported by a Responsible Investment Analyst, and coordinated by the Responsible Investment Committee. Differences of geographic and sectoral focus mean that the process used by each team is not identical. Key differences are as follows.

The **Global & Developed Markets** team has access to the most data for its research due to the nature of coverage available. In the reporting period, the team worked on developing its analysis of the impact of remuneration in companies under consideration for investment.

The **Specialist Equity** team uses a more dedicated selection of data sources for its analysis of energy and sustainable energy sectors. In the reporting period, the team worked on climate sensitivity analysis and positive impact reporting.

The **Asia & Emerging Markets** team has access to less data in relative terms due to the availability of coverage of ESG factors. They seek to overcome this through their qualitative assessment and company engagement. Due to the geographies of companies under analysis, corporate governance is important factor for consideration.

In our **Multi Asset Funds**, we implement model portfolios assembled by a third party. While we monitor investment decisions, it is not possible for us to integrate ESG factors into the investment analysis performed. Instead, this is performed by our third-party partner, a signatory to the Code and the Principles for Responsible Investment.

We discuss differences in integration more specifically relating to voting and engagement activity between the investment teams under **Principles 9** and **12**.

Ventures

The **Ventures** team takes a different ESG integration approach due to the composition of Ventures investments. Investment team members work directly with the organisations to collate both ESG data and work to improve weaknesses in the companies and their data. This is discussed in the following section.

Stewardship and the investment process

ESG Incorporation

Fundamental data and rigorous research have always been the cornerstones of our investment process at Guinness Global Investors. Whilst Environmental, Social and Governance (ESG) factors have inherently been integral in our company analyses, the emergence and evolution of new data sources has allowed us to establish a more defined score-based framework and thus harness additional investment insights.

ESG 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 act. For example, the impact of BP's Deepwater Horizon explosion and oil spill on the Gulf Coast in 2010 reportedly cost the company ca62 billion. More recently, the diesel emissions scandal is set to reportedly cost Volkswagen upwards of $46 billion in the US alone. These negative factors have clearly affected the financial results of these (and other) firms.

Similarly, the social impact of a company's behaviour is increasingly being felt on the bottom line. For example, investigations into Boohoo's operations found staff being paid as little as £3.50 an hour in its Leicester garment factory, with no COVID-19 protective equipment. The ramifications included a cost to the founders of the company over £335 million and a reduction in the company's value by over £1.1 billion in July 2020. In another example, privacy and data security concerns surrounding Facebook, following the Cambridge Analytica scandal where data on over 87 million users was collected, cost the company $5 billion in fines.

Governance is a critical aspect of the analysis of any company. The effectiveness of a board and executive management team to set the strategic direction and the culture of the organisation are crucial to a firm's future success. For example, Ørsted have demonstrated climate leadership through their 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.

1. Integration

The first approach to ESG Incorporation is the integration of ESG data. The UN PRI defines this as explicitly and systematically including ESG issues in investment analysis and decisions, to better manage risks and improve returns.

We believe that the integration of Environmental, Social and Governance factors helps us to identify future financial and non-financial risks within our investee companies. These factors can have a real-world impact by potentially reducing risk and enhancing the sustainability of real economic return on capital of those companies.

Our bottom up ESG framework has been developed in-house and is used in our listed equity strategies to assess quantitatively the sustainability risk associated with potential underlying investments. Using the Sustainability Accounting Standards Board (SASB) materiality assessment we have developed a scorecard that is used to evaluate a company based on various sector, industry, and company specific ESG criteria and also CEO remuneration.

A key component of the scorecard is 'materiality', by which certain criteria can be weighted according to their importance and likely effect on corporate performance. In practical terms, this means that each scorecard can be tailored to the ESG factors that are most relevant to the sector and industry that a company operates in and can be adjusted to allow for varying levels of disclosure across different countries and regions. We believe this is a superior way to assess the impact of ESG metrics on a company compared to using a generic, one-size-fits-all framework.

We also believe – as active managers – that building our own methodology to assess ESG factors is better than relying solely on third-party scores or using an exclusionary criterion. We use external ESG research as a starting point for our own analysis.

The scorecard ultimately informs us whether a company's disclosure is improving or worsening, how well the company ranks versus its peers, and how each measure compares to the company's history and its peer group.

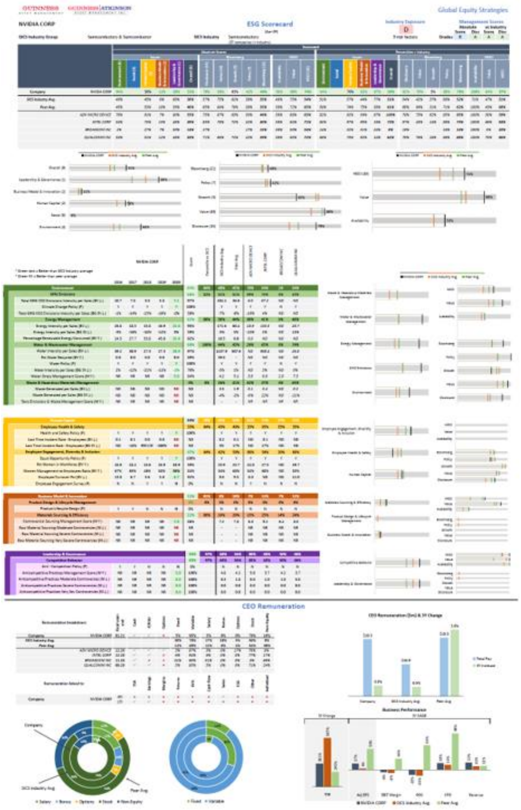
The data used in our ESG Integration methodology comes from a wider range of third parties (including MSCI and Bloomberg) and from individual company disclosure. We discuss the due diligence behind these service providers to ensure services have been delivered to meet our needs under **Principle 8.**

We supplement the quantitative analysis performed via our scorecard with a qualitative review of ESG factors for each potential investment. We do this to understand the materiality and fairness of ESG scores, the risks to business models and valuations, and 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 non-financial performance and risk, and capital structure. We construct proprietary financial models in-house to understand a company's evolution covering various financial and non-financial factors. This review has more recently developed to incorporate exclusionary criteria, include a governance characteristics section, carbon intensity and transition risk models. An SFDR indicators and EU taxonomy aligned calculations section is also in development. These areas of review will expand as data availability improves.

Individual investment teams use the scorecard and the qualitative analysis as applicable for their investment strategies.

Figure 10 illustrates an output example scorecard produced from this model.

Figure 10: Example Guinness ESG Scorecard



2. *Screening*

A second approach to ESG Incorporation is the application of screening. The UN 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. The UN PRI divides screening into three categories: negative screening to 'avoid the worst performers', such as heavy emitters of CO2; norms-based screening to 'use an existing framework', such as screening issuers against minimum standards of business practice based on international norms; and positive screening to 'include the best performers' – the best in class or leaders in a peer group, using quantitative ESG metrics.

We rule out some companies from the investment universes of our funds based on their activities. We have a company level Exclusions Policy which includes the exclusion of companies involved in the manufacture of Cluster Munitions and Anti-Personnel Mines and companies who generate revenue from thermal coal.

Our Exclusion Policy applies to our active equity funds and our exclusion lists are updated at least annually. They do not apply to beneficial holdings in passive funds (such as an equity index), underlying holdings of active funds invested in by our multi-asset funds, ETFs, or derivatives, nor to affiliated companies.

In the event that a company already held in our portfolios is added to one of our exclusions 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.

Fund-specific screening and exclusion approaches

The Sustainable Energy Fund and the Global Sustainable Equity Fund apply further exclusionary criteria at the strategy level.

- The Sustainable Energy fund excludes companies listed on the Norwegian Council of Ethics (Norges Bank) Exclusion list. The list currently contains around 130 companies, including power producers or mining company that derive 30 per cent or more of their income from thermal coal or have 30% or more of their operations based around thermal coal. Full details of the Norges Bank exclusion criteria are available at https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/ and the fund has its own Exclusion Policy detailing all of the fund exclusions, which is available to investors on request.
- The Global Sustainable Equity Fund excludes those companies which have been scored as a laggard (B or CCC rating) by MSCI ESG and those on the Norwegian Council of Ethics exclusion list. This is complemented by an internally generated exclusion list which filters out companies not caught by the first two exclusions and who derive material revenue from alcohol, coal, fossil fuels, gambling, nuclear energy, palm oil, tobacco, and weapons.

3. Thematic

A third approach to ESG incorporation is the application of thematic investing. The UN 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.*

There are two investment strategies where we take this approach to ESG incorporation: the Guinness Sustainable Energy Fund and the Guinness Sustainable Global Equity Fund.

Guinness Sustainable Energy Fund

The Guinness Sustainable Energy Fund's investment objective is to provide investors with long-term capital appreciation by investing in companies that contribute towards reduced global carbon emissions. Specifically, the fund invests in companies engaged in the generation and storage of sustainable energy, and the electrification and efficiency of energy demand.

The fund screens for companies selling the products and services which will help to deliver the transition towards a low carbon economy. When companies and consumers purchase and use these solutions (heat pumps, electric vehicles, renewable energy) over incumbent technologies (gas boilers, internal combustion engines, fossil fuel generation) they contribute towards the global effort to reduce greenhouse gas emissions and combat climate change.

By investing in the companies that produce these products and services, the managers believe that the fund's success is closely aligned with this positive environmental impact. This alignment flows through their universe construction, where they deliberately target companies delivering climate solutions; through their reporting, where they measure and report on the carbon avoided and carbon cost of their portfolio; and through their engagement, where the overwhelming focus is on climate action. The fund is classified as an Article 9 fund under SFDR.

Guinness Sustainable Global Equity Fund

The Guinness Sustainable Global Equity Fund invests in growth companies with sustainable products and practices, taking sustainability themes as the basis for the creation of a universe of stock opportunities. The fund seeks to invest in businesses which are part of the broad sustainability transition and takes an exclusionary approach to companies that scored as a laggard (B or CCC rating) by MSCI ESG and those on the Norwegian Council of Ethics exclusion list who derive material revenue from alcohol, coal, fossil fuels, gambling, nuclear energy, palm oil, tobacco or weapons. It can therefore be classified as a thematic fund with designation as an Article 8 fund under SFDR.

The Ventures Team

The Investment Process

Due to the structure of the Ventures investments, the investment process differs from that of Guinness's long-only equity investment team. Guinness Ventures has a formalised internal investment process which helps to ensure that due care is taken in the identification, selection, execution, monitoring and exit of investments, which incorporates both ESG analysis and active ownership through engagement and voting throughout the investment journey.

Origination

The Investment Manager sources investments through its networks of contacts. Guinness has made over 100 Ventures investments since 2011 and has consequently established a broad pipeline of investment opportunities and introducers. All origination leads are discussed at the Investment Manager's regular pipeline meetings where they are prioritised according to the investment strategy.

Due Diligence

Origination leads that have been prioritised are initially screened internally. The Investment Manager will usually secure a period of exclusivity while due diligence is completed. This may involve external advisers and concludes with negotiating investment terms. The findings are compiled into an investment memorandum, which is circulated to the Investment Committee for discussion at Investment Committee meetings. During this process, an ESG due diligence questionnaire is completed by the investment company. This allows the team to track ESG key performance indicators and set targets for individual companies where appropriate.

Transaction

If the Investment Committee grants approval for a potential investment, the Investment Manager will set a budget and time frame for completing the transaction. The Investment Manager manages transactions internally, but also engages third parties such as lawyers, accountants, and due diligence providers for transaction support. Investment proposals include ESG information on the company and are presented to the investment committee for final investment approval.

Monitoring

The Investment Manager usually seeks board positions in Investee Companies. We seek to establish regular formal communication and engagement with management teams. The Investment Manager closely monitors each Investee Company during the life of an investment. Investee Companies are also required to provide the Investment Manager with regular management reports and financial statements, in addition to yearly ESG questionnaires.

Exit

The Investment Manager actively monitors opportunities for exits of individual investments. Any potential exit strategy will be described in a short-form memorandum and submitted to the Investment Committee for final approval prior to the commencement of any sale process.

Figure 11: Guinness Ventures investment process

Serving clients and beneficiaries

We best serve clients and beneficiaries through the ongoing investment process defined in the previous sections. We monitor companies to ensure they meet our investment objectives. Information we have gathered through our investment and stewardship processes not only informs our acquisition of a company, but our ongoing monitoring and sell disciplines. The investment team reviews and performs regular monitoring of all holdings in their portfolios. The process highlights any companies that do not meet investment objectives, and therefore contributes to our sell discipline.

Guinness Ventures indicates a four to five-year holding period to clients. Once a company has been held for three years then the Investment Manager will discuss an exit strategy and timetable with the boards of investee companies. The sale of private companies is often subject to fairly long lead times, and the interests and objectives of different stakeholders need to be considered. Guinness Ventures usually works with other shareholders and stakeholders to formulate an exit strategy that will meet the needs of these stakeholders.

Principle 8 - Signatories monitor and hold to account managers and/or service providers.

Monitoring our service providers

As previously discussed under **Principle 2**, we use various resources from third party service providers.

External service providers are subject to initial due diligence and periodic checks thereafter. Depending on the scope of the service provided, due diligence may include:

- Review of the external authorisations of the outsourced organisation
- Review of the financial strength of the organisation to assess whether there are any going concern issues
- Structure and conflicts of interest
- Meeting with senior personnel in the outsourced organisation
- Full review of their service offering
- Benchmarking the service price menu against peers to ensure a competitive offering
- Sensitivity analysis to understand pricing in a full range of AUM scenarios
- Review of the existing client base to assess the level of experience in servicing similar clients

Once an external service provider has been chosen, we conduct annual (two way) due diligence with them to ensure we remain satisfied with the original assessment.

Whilst business and fund related service providers all have an important role to play and are assessed as per our due diligence process, we have focused for the remainder of this section on the service providers most related to the investment process itself and incorporation of ESG into that process, which predominantly consists of providers of data (including research and analysis) and voting advice.

For data providers, the quality of service received is reviewed by the CIO in cooperation with the investment team. The quality of data received is also monitored day-to-day by the investment team during their incorporation of ESG factors into the investment process. We believe that the primary responsibility for ESG analysis falls on the investment team themselves and do not rely entirely on third-party analysis, while our incorporation of third-party data into our own analysis facilitates constant assessment of its quality.

For proxy voting advice, the service is also reviewed by the Responsible Investment Committee when monitoring voting records. Votes cast contrary to the recommendations of the proxy advisers are reviewed by the Committee.

During the reporting period we went through a rigorous process to compare candidates to adopt as our new proxy adviser. While we identified more than one provider with the sufficient level of research, we valued the data integration features and corporate structure of our chosen provider.

Investment-Related Service Providers

We use a variety of service providers for data and research related to our investment process. As follows, we discuss the fundamental providers and provide a short review. All third-party data providers go through a rigorous review process. We hold frequent discussions in our investment team meetings to discuss satisfaction with these providers and review spending on the various areas. We continue to research and trial other third-party providers to ensure we receive the best data for our research process at a suitable price.

Glass Lewis

Glass Lewis provides voting recommendations ahead of votable meetings. We use these reports for advice only and review every Glass Lewis voting recommendation before we submit votes. We started using this service provider in 2021. Prior to Glass Lewis, we used ProxyEdge. ProxyEdge is a voting platform; however, it does not provide proxy research. Please see further disclosure on our voting activity under **Principle 12**.

During 2020 we went through a rigorous due diligence process to compare candidates for selection as our proxy adviser. While it was not the only provider able to supply the research we require, several factors led to our selection of Glass Lewis, including the fact it does not have any independence issues and its research contains the 2-page Sustainalytics information valued by our investment team. Weekly investment team meetings and quarterly Responsible Investment

Committee meetings allow us to review voting records to ensure consistency across teams, discuss any queries or concerns including on voting. We also have regular contact with Glass Lewis for both clarification and training on their system and analyst training on specific geographical norms. We are satisfied with Glass Lewis's service at present.

MSCI

We receive ESG data from MSCI using their MSCI ESG Manager for most of our investment universe. This data complements our ESG reviews, carbon and climate scorecard reporting etc., and therefore aids our ESG review process. This allows us to better understand specific environmental, social and governance aspects of companies. While we receive related ESG scores from MSCI, we do not use these to determine investment decisions.

An annual review led by senior management allows us to rigorously review the data provided by MSCI to ensure the investment team's needs are met. We have regular contact with the MSCI support team to ensure any queries are answered, and regular training is provided. We do not rely solely on the data provided.

Bloomberg

We use Bloomberg for several sources of data across the organisation. We source company and market level data from Bloomberg. Bloomberg data is used for a variety of ESG metrics including data within the ESG model, which is explained further under **Principle 7**. This is incorporated into the overarching investment research process. We also use Bloomberg New Energy Finance (BNEF) for more specific energy related research and data. Regular training is provided by Bloomberg including most recently new ESG components of the system.

HOLT

We use HOLT as a provider for additional specialist company level data and their cash returns-based valuation approach. We have used HOLT's carbon data for impact analysis, and their remuneration data for internal analysis.

Other Broker Research

We use several other brokers including JP Morgan, Credit Suisse, Goldman Sachs, and Morgan Stanley for further research to complement our research process.

Ventures

Guinness Ventures performs bespoke company research when conducting due diligence on investee companies. This is usually conducted through a mixture of in-house resource and third-party due diligence providers who specialise in legal, financial, technical, commercial and HR due diligence.

Multi Asset Funds

An effective stewardship approach was an important factor in beginning our relationship with the third party who provides model portfolios for our Multi Asset Funds. As a leading UK investment management company listed on the London Stock Exchange, our partner offers a model portfolio service with the robust approach to the integration of stewardship which we believe is necessary for investors in a Guinness fund. Investment decisions by our partner are monitored by the investment team and the Multi Asset Funds are subject to the same programme of compliance and risk monitoring as our equity funds.

Failed Expectations

There have been cases whereby service providers have not met the expectations of managers at Guinness.

Research

There have been instances where we have identified discrepancies in our service providers' research. Where the research provided did not cover areas where we require more information, we have added incremental research providers. Note that ESG research providers provide a starting point for our analysis and contribute to our own work of carrying out in-depth and rigorous assessment of companies' risks and opportunities.

Outsourced IT provider

Service levels from our previous IT support provider fell below the standard expected over time, with inconsistent responsiveness. We were facing additional unexpected costs (for reasons beyond our control) to complete projects that had already been fully costed. It is understood the provider has been acquired several times, which may have contributed to the deterioration in service levels. The technical support was provided from engineers based abroad and the only UK presence that we interacted with was the relationship manager and sales team. The decision was taken during the reporting period to appoint a new provider offering quicker resolution of support tickets and a more proactive approach. We have been satisfied with our new provider's service.

Custodian

During the reporting period we initiated a change of custodian for our Dublin-domiciled funds (Guinness Global Investors Funds plc) from JP Morgan to BBH to ensure fund holders benefited from the best balance of service and cost.

We continue to monitor our service providers closely to ensure satisfaction.

Principle 9 - Signatories engage with issuers to maintain or enhance the value of assets.

Engagement at Guinness

As active shareholders with long-term investment horizons, engagement is fundamental to our investment process.

We engage with investee companies, with the objectives:

- To influence investee companies proactively on ESG issues
- To encourage improved and/or increased ESG disclosure
- To gain a greater understanding of their ESG strategy

Each engagement activity is made on a case-by-case basis, with an objective as described above in mind. We engage directly/individually and collaboratively and do not prioritise between the various approaches.

Ventures

For Guinness Ventures, engagement is embedded into the investment process, where members of the Ventures team sit as board members on the investee companies. Team members undertake training to ensure they can contribute as effective board participants. Board participation by Guinness Ventures team members is to help introduce best practice across portfolio companies, thereby increasing long-term shareholder value.

Multi Asset Funds

Our Multi Asset Funds invest in funds selected by a third party. In the same way that we accept the responsibility to engage on behalf of investors in our equity funds, we believe that engagement with the issuers of the securities held in these funds is best performed by their investment managers. At present, Guinness Global Investors does not engage with the issuers of underlying securities in our Multi Asset Funds.

Methods of Engagement

Annual Corporate Engagement Process

In 2014 Guinness started an annual screening process, carried out across all its long-only listed equity funds. All the companies in the funds' investment universes were screened (where data was available) and subsequently scored on the quality of ESG metrics, the extent of ESG disclosure and the momentum of both.

The ESG scoring system is tailored to suit different industry sectors and, in this way, each company is only evaluated relative to its peers and its industry sector. This peer relative analysis allows us to rank companies versus relevant peers and therefore does not benefit or limit one industry sector versus another. The scoring considers three key dynamics:

1. **Disclosure:** where higher levels of disclosure are favoured
2. **Performance:** where companies that have better ESG characteristics and ESG performance metrics than their peers score higher than companies with worse metrics
3. **Improvement:** where companies that are improving their ESG performance metrics (in either absolute or relative terms versus their peers) are scored higher than non-improving or deteriorating companies.

The results of our Annual ESG screening process formed the basis of our annual direct/individual engagement with investee companies. This was carried out annually with companies that scored poorly in the screening work and our engagement informed the company, requesting improved ESG disclosure, and that deficiencies in specific aspects of ESG low scoring were addressed. This process was carried out by members of the Investment and the Compliance Teams.

The Annual Corporate Engagement Process concluded during the reporting period and was replaced by the team-based approach described below. Our engagement activity since 2014 is presented in figure 12 with the most recent data representing engagement carried out in 2020 based on 2019 data:

Figure 12: Corporate Engagement Activity Summary

ESG and Engagement Analysis	2015	%	2016	%	2017	%	2018	%	2019	%	2020	%
GAM ESG analysis and Engagement activity												
No. of companies investigated	77		46		51		43		34		23	
ESG Score threshold for investigation	<5pts		<5pts		<5pts		<15pts		<20pts		<20pts	
No. of companies we 'passed'	52		31		31		20		15		17	
No of engagement letters sent	25		15		20		23		19		6	
'Low Score' engagement letters	2		2		1		10		10		3	
'No score' engagement letters	23		13		19		13		9		3	
Number of letters as % of total owned	9%		6%		9%		7%		6%		2%	
Number of responses	5		7		3		3		9		2	
Response rate	20%		47%		15%		13%		47%		33%	

* China Hong Kong inclued in 2014 analysis but excluded for 2015 and 2016

As a company, Guinness does not divest from investee companies or screen out companies from our investment universes based solely on poor ESG scores. Our preferred approach is to engage with company management in order to investigate any material ESG concerns. Through our engagement process we aim to gain a better understanding of the company's performance, policies and procedures and encourage improvement s where appropriate. We monitor progress made by the companies concerned and take further action as necessary. We believe that this approach encourages companies to address ESG issues, thereby enhancing corporate responsibility.

We monitor the results of our engagement and may re-engage, and escalate, with a company in the event of repeated poor disclosure. During our annual corporate engagement process, we made 108 engagements with 84 companies since 2014, with 16 companies engaged with twice or more.

The evolution of our responsible investment process at Guinness means our Annual ESG screening and analysis is now completed by individual investment teams throughout the year and described below. This process is complemented by using the ESG model discussed under **Principle 7**.

Investment Team Engagement

Direct ESG engagement is carried out by the investment teams when communicating with the management of our investee, and potential investee, companies. Communication can involve debating 'top-down' ESG themes with management, questioning management on poor 'bottom-up' ESG scores (from our scorecard and qualitative work), encouraging disclosure on material ESG metrics, requesting companies set more aggressive targets, adjusting remuneration metrics, improvements in executive shareholding and encourage them to join related initiatives.

As signatories of the UN PRI, we are aware of the importance of tracking these additional engagements and record data accordingly. Each investment team regularly interacts with company managements. 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.

Each team monitors the progress of engagements via a proprietary in-house engagement database. The engagement database allows us to analyse the range of engagements that have occurred over a period. We measure these engagements against various characteristics including a set of milestones to track our progress and achievements. These four milestones are: issue raised, issue acknowledged, commitment to change, and change implemented.

Our Funds

Each investment team approaches stewardship individually, but with a common purpose. While all engagement and voting data is recorded in the same process, each team may have different areas of particular focus when approaching their engagement with companies. To illustrate, we summarise below some of the teams' variations in emphasis among the diverse range of topics under environmental, social and governance issues on which they engage. Voting differentials are discussed further under Principle 12.

Global & Developed Markets Team

The Global & Developed Markets team have led on engagement with issues surrounding governance as these are typically the most financially material for the companies, they invest in. This includes misaligned executive compensation frameworks or egregious pay packages.

They have specifically engaged on social & environmental topics including climate change. For example, they recently performed an exercise to assess whether each of their holdings disclosed data to the CDP, and if not, engaged with the respective companies to encourage disclosure.

Specialist Team

The Specialist Equity team have led on climate and environmental themed engagement as they are typically the most financially material for the companies, they invest in. They focus on GHG emissions, climate governance & risk management, target setting (SBTi), and disclosure (CDP, TCFD, positive impact) and encouraging opportunities in cleaner technologies.

Social & governance topics they have engaged on include Responsible sourcing & supply chain, human capital management, product safety & quality, diversity, board composition, audit, remuneration, and tax.

They structure their engagement into three sequential requests: improving disclosure, setting targets, and linking targets to executive incentivises.

- **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.

Asia & Emerging Markets Team

The Asia & Emerging Markets team have focused engagements on Corporate Governance. While Social and Environmental matters are also topics of engagement, Governance issues predominate, covering issues including board characteristics and identifying poor capital allocation, as these are typically the most financially material for the companies, they invest in. Due to the varying data availability on companies in Asia, company engagement can constitute an important part of the information gathering process on a particular company.

Ventures Team

The Ventures team works directly with investee companies, meaning engagement is continuous. This is complemented by members of the investment team taking board seats in the investee companies.

Statistics

During the reporting period the investment team recorded 125 engagements across the organisation. Due to Covid-19, most of these engagements took place through phone and video calls with the companies.

Teams are faced with different issues surrounding companies primarily due to their size and location. This therefore influences the engagement activity made by each team. This is discussed further under **Principle 7** and demonstrated in Table 3, which documents the distribution of engagements across teams and among environmental, social, governance and strategy topics. In some cases, multiple topics are covered in a single meeting and the totals do not add up to 100%. Table 3 illustrates the distribution of engagements in each team across environmental, social, governance and strategy* topics.

Table 3: Engagement Statistics

	Engagements				
Investment Team	**Total number of engagements**	**Environmental**	**Social**	**Governance**	**Strategy**
Global	30	70%	3%	30%	70%
Specialist	81	33%	33%	48%	71%
Asia	14	38%	46%	92%	8%
Total	**125**	**52%**	**22%**	**48%**	**58%**

*Strategy includes accounting, disclosures, opportunities in sustainable products, positive impact, and regulation.

Engagement: Examples & Outcomes during the reporting period

Global & Developed Markets Team

Company	Facebook
Topic	Directors
Comment & Outcomes	For the past two years, we have voted against the re-election of directors to Facebook's board citing a lack of independence. We believe the majority of the board should be independent in order to hold management fully accountable, but as Mark Zuckerberg owns 53% of the voting rights, election of directors is purely based on his decision and as such we believe these are not independent. This is an ongoing engagement and will continue to use proxy votes and direct communication to encourage better governance.

Specialist Equity Team

Company	Ameresco
Topic	Positive impact & emissions
Comment & Outcomes	Ameresco is a leading clean technology integrator, providing a range of energy efficiency project and renewable energy services. We have had several interactions with Ameresco on the theme of disclosure. We first spoke with Ameresco in January 2020, ahead of publishing our first Impact report. We asked the company if it has any data regarding the positive impact of / emissions saved by company projects. They replied with an answer three days later and followed up by publishing current and historic impact data in a presentation on their website. In February 2020, we had noticed that they had only provided divisional adjusted EBITDA data for the past 3 financial years (2017-19). We asked if they could provide this for 2015 and 2016 to give us better context for our internal modelling. Shortly after, they published another presentation on their website containing this data. In June 2021 we wrote to the company to provide feedback on their first ESG report. We made suggestions in the short term that they should consider measuring and disclose their scope 1 and scope 2 emissions, disclosing energy generated, and aligning their ESG reporting with GRI standards. We made further suggestions that in the future they might consider completing CDP's climate change survey and reporting in line with TCFD. We had a follow up discussion in July 2021, where the company thanked us for our feedback as they had recently been working on scope 1 and 2 emissions measurement. They committed to disclosing this in their 2021 ESG report. They explained to us some of the difficulties in calculating and disclosing an "energy generated" figure and asked why we wanted this data. We explained that it was to calculate a carbon intensity of generation (gCO2/kWh) figure to ensure that the company was aligned with the IEA's carbon intensity of generation benchmark for a 2 degrees scenario. We followed up with an email showing them this benchmark starting at 429 gCO2/kWh in 2019 and falling to 315g CO2/kWh by 2025. They said they would go consider how to disclose something to give us greater comfort in this area. We discussed the GRI and SASB reporting frameworks alongside TCFD. Ameresco said that a reporting framework was the next logical step for them. We followed up by sending an email including links to more information on joint GRI/SASB reporting and a real-world example of a US mid cap clean tech peer's ESG reporting which used GRI and SASB as a framework and also produced TCFD aligned disclosures.

Asia & Emerging Markets Team

Company	China Lilang
Topic	Corporate Governance
Comment & Outcomes	We met with the CFO of the company to suggest changes to improve their levels of corporate governance. The company agreed with several of our suggestions. In the next AGM, they will propose not adding repurchased shares to general mandate for new shares, and instead will cancel repurchase shares. They will also improve disclosure of remuneration of directors and executives in the 2021 annual report.

Company	Fuling Zhacai
Topic	ESG Risks
Comment & Outcomes	We wrote to the company to understand their approach to relevant ESG risks, where disclosure was lacking. In return we received a reply from the company, where they better disclosed its policies with regards to Product Safety & Quality. This gave us confidence that management had policies in place to deal with this risk.

Principle 10 - Signatories, where necessary, participate in collaborative engagement to influence issuers.

Collaborative Engagement

Devon Energy

At Guinness we 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. Guinness Global Investors is a member of Climate Action 100+, widely regarded as the world's leading engagement group on the issue of greenhouse gas emissions.

CA100+ investors have committed to engage with the world's largest corporate greenhouse gas emitters to improve their climate performance and ensure transparent disclosure of emissions. As a signatory of the CA100+ initiative, Guinness Global Investors has signed up to a common engagement agenda that seeks commitments from boards and senior management to bolster governance around the energy transition, take action to reduce emissions, and improve disclosure.

In the interests of our clients, we may also work with other like-minded shareholders from time to time to promote good governance and prevent the destruction of value. Any action taken to resolve an issue would be with our best efforts and in a manner which is not detrimental to our own client's holding. We would also be particularly conscious to avoid any risk of being unintentionally deemed a concert party.

Outcomes

We have been collectively engaging with Devon Energy via the Climate Action 100+ initiative for the past two years. The initiative focuses investor engagements on 160 global companies that have significant greenhouse gas (GHG) emissions and/or are critical to the net-zero emissions transition and to meeting the objectives of the Paris Agreement. We have participated in several calls with collaborators and the company, contributing our knowledge and experience of investing across the energy spectrum for over 20 years. On 21st June 2021, Devon announced several new environmental targets including achieving net zero GHG emissions for scopes 1 and 2 by 2050. The most recent call with company management involved several executives including the CEO, corporate secretary, and representatives from investor relations, the company's ESG steering committee, ESG team, and the public and government affairs team. The virtual meeting on the 24th of June was to congratulate the company on the new targets and to progress the conversation to focus on outstanding areas of the CA100+'s Net Zero Company Benchmark. Other achievements in the past two years include:

- Governance: the Devon board has clear oversight of climate issues with a specific board representation. Remuneration is not yet linked to climate issues
- TCFD: Devon has committed to implement the recommendations of the TCFD and carries out climate-related scenario analysis

This is an ongoing collaborative engagement.

Independent Investment Management Initiative

We are members of the Independent Investment Management Initiative (IIMI). This provides a voice to independent, owner-managed firms that are entirely focused on and aligned with the interests of their clients and investors.

Outcomes

IMMI have run events employees at Guinness have attended, including those with the UN PRI. This allowed members to voice their concerns over the most recent UN PRI submission. This contributed to the PRI taking on board the groups opinions and discussed efforts to improve reporting abilities for the next reporting period.

We continue to work closely with IIMI to work collaboratively with likeminded peers on several investment areas.

Other involvements in industry initiatives are discussed under **Principle 4**.

Principle 11 - Signatories, where necessary, escalate stewardship activities to influence issuers.

Escalation

As we discussed under **Principle 9**, engagement is fundamental to our investment process as active shareholders with long-term investment horizons. However, engagement itself is not always sufficient to achieve our desired outcome. In turn, it may be necessary to escalate an engagement in order to voice our concerns further. Each escalation activity is determined on a case-by-case scenario and does not necessarily differ between our investment teams, assets, or geographies. We define our Escalation Policy below to provide detail on the reasonings and processes behind this activity.

Escalation Policy

Our engagement tracking monitors our engagements to assess whether the company offered the response sought by the investment team or whether the outcome otherwise demonstrated that no further engagement was necessary. We define escalation as further engagement undertaken following an unsatisfactory response by a company. In some circumstances, there may be no need for escalation despite an unsatisfactory response if the investment team engages with a company before investment and decides not to invest because of the company's response.

Circumstances where the team is not satisfied by a company's response and will consider escalation more commonly arise when the company is held in a portfolio, and include the following:

- Insufficient information in the company's response
- Lack of constructive dialogue
- Inability or unwillingness of the company to address our concerns

In the first place, our escalation will take place in the same manner as the initial engagement (meetings or correspondence with company management) in order to increase our understanding of the company's response and to allow further responses from the company. If the investment team considers it necessary, further escalation may include:

- Engagement with members of the company's board
- Engagement with brokers
- Communicating our intention to vote against management or to abstain
- Voting against management or abstaining
- Seeking engagement from other investors
- Collaborating with other investors at shareholders meetings (subject to the need to avoid being deemed a concert party)
- Engaging with policy makers to raise industry standards
- Bringing resolutions at company meetings
- Selling the company's shares from our portfolios

Escalation Examples

Examples of where our stewardship activities have been escalated during the reporting period are presented below. As noted under Principle 2, each investment team has different investment strategies.

Global & Developed Markets Team

Company	Teradyne
Last Meeting Date	26th July 2021
Comment	Teradyne is the world's leading producer of semiconductor testing systems while also producing automation systems through its acquisition of Universal Robotics and others. Early in 2021, the company settled a workforce discrimination case for $125,000 from 2014-2016. This came in addition to human capital practices that we felt lagged peers and, given the material nature of human capital to a high-IP area such as the semiconductor industry, we felt it warranted a fresh review. Having then, we assessed the business's ESG practices we felt the company was a high-risk company from an ESG perspective and warranted potentially selling our position. We subsequently engaged with the IR team at Teradyne to clarify some points and for more detail on their human capital practices.
Outcome	Whilst they did point to increased disclosure in Q3 (and as such could not disclose details at that time), we felt their response was inadequate and subsequently sold our position in the company.

Specialist Equity Team

Company	NextEra Energy
Last Meeting Date	10th August 2021
Comment	NextEra Energy is one of the cleanest utilities in the USA. In the early 2000's, NextEra made an early move to cut its carbon emissions by seeking to reduce its reliance on oil-fired generation. Since 2005, oil has fallen from c20% of the company's owned net generation to <0.1%. Over the same period, wind and solar has increased from 6% to 27%. However, the proportion of generation from natural gas has remained stubbornly high at c45%. This concern was compounded by the lack of longer-term (2030/2050) climate targets (emissions intensity / renewable generation targets). We started our engagement with NextEra Energy by encouraging the company to report on its climate risk by producing TCFD-aligned disclosures. By the time of the AGM, Majority Action heightened our concerns by highlighting that the company was planning to further build out its gas capacity by adding >2,000 MW by 2030. This was backed up by Climate Action 100's benchmark, which suggests that NextEra does not currently meet the criteria for capital allocation alignment. Despite its past performance on emissions intensity reduction, but as a result of insufficient climate disclosure and targets, we voted against NextEra's CEO, lead director and auditor at the 2020 AGM.
Outcome	Shortly after the AGM, the company released a new ESG report. We were pleased to see that they had produced their first TCFD aligned disclosures and committed to participating in the 2021 CDP survey. We wrote to the company explaining our voting rationale and suggested that they set a new long-term environmental target and have it validated by the Science Based Targets initiative (SBTi). In the meeting that ensued, we thanked the company for progressing its climate disclosures and were reassured that a longer-term target and SBTi verification were being discussed internally. We were assured when we heard that NextEra's CEO did not like net zero targets, preferring the term absolute zero: reaching zero carbon emissions without the use of offsets. This is an ongoing engagement.

Principle 12 - Signatories actively exercise their rights and responsibilities.

Our Approach

Our approach to stewardship at Guinness Global Investors covers our engagement with companies (either individually or collaboratively) on their ESG performance and our Proxy voting activity.

Our approach to stewardship is covered as follows:

1. **Stewardship Policy** that details our compliance with the twelve Principles of the UK Stewardship Code
2. **Company Engagement** that details our various approaches to engaging with investee companies
3. **Proxy Voting** that details our approach to Proxy Voting

Guinness Global Investors' main objective is to manage our clients' assets in such a way that we deliver on their mandate. In fulfilling this purpose, we of course assume a stewardship role over the assets of our clients. In representing our clients' interest in relation to the investments made on their behalf, we recognise the responsibilities that go with ownership, and the related rights.

Our approach does not differ widely across the long-only investment teams, and we have a relatively consistent approach that runs across funds, assets, and geographies. Each team takes a similar approach, as discussed below, with collaborative discussions across the teams during the investment team and Responsible Investment Committee meetings. In addition, our Responsible Investment Analyst works across the teams, to ensure best practice is achieved.

Ventures

Guinness Ventures is structured as a discretionary managed service and the underlying investors are the beneficial owners of shares in investee companies. These investors can vote their own shares, or if they do not take up this option Guinness Ventures can vote their shares for them. Guinness Ventures actively engages with investee companies. Where a shareholder vote is taken, the Guinness Ventures Investment Committee in conjunction with the relevant fund manager will review and determine how best to vote.

Multi Asset Funds

Guinness Global Investors does not have voting rights for the underlying securities in our Multi Asset Funds. In implementing a model portfolio of funds assembled by our third-party partner, we are able to rely on the robust stewardship approach of our partner which is demonstrated by their being a signatory to the UK Stewardship Code 2020 and the Principles for Responsible Investment.

Voting Policy

Proxy voting and the consideration of corporate governance issues are important elements of investment management. In principle, our Proxy Voting Policy is designed to support our portfolio managers in making decisions that maximize a company's shareholder value and that are not influenced by conflicts of interest. The outcome should be a strong corporate governance framework for each investee company which allows it to be managed in the interests of its shareholders.

Proxy voting for all companies is carried out by the portfolio managers of the relevant Guinness Global Investors funds and the Proxy Voting process started in 2019.

We typically make our voting decisions based on our own research, but the investment team has access to Glass Lewis research to assist and guide them (not to delegate to them) and to bring efficiency and ensure consistency in approach.

Our Proxy Voting Policy (in Appendix 1) is designed to empower the relevant portfolio manager to instruct to make decisions that they believe are in the best interest of our underlying investors.

Our voting records are recorded and analysed regularly, thus allowing our Compliance and senior management team to review any decisions (or exceptions) with the relevant portfolio manager. This also enables the monitoring of recommendations from our proxy advisers. Occasions when proxy adviser recommendations are not followed are monitored by the Responsible Investment Committee. Summary proxy voting details are updated every quarter and are available on our website.

Guinness Global Investors is a small shareholder for most of our investee companies. Where Guinness is a larger relative shareholder, we may raise potential concerns with the company ahead of voting and we might communicate our view and intention to abstain or vote against management. ***For details of our escalation strategy, please see Principle 11.***

Proxy Voting Policy

Please find our Policy in Appendix 1. It is also available on our website.

Proxy Advisers

Prior to 2021 we did not use a proxy advisor. Proxy voting opportunities were monitored using the Broadridge ProxyEdge platform. Fund holdings data was provided directly by the custodian to Broadridge. Broadridge then reported on any votable events and facilitated voting through their online platform. The investment teams monitored upcoming meetings and circulated a weekly schedule to all investment managers. Reports on voting history were downloaded from the platform. Votes were cast by the relevant investment manager for each fund with reference to the meeting details provided via the Broadridge platform and in the light of the investment mandate and the investment manager's knowledge of the investee company.

Since January 2021 we have used the Glass Lewis Viewpoint service to monitor and act on proxy votes. Glass Lewis Viewpoint automatically sends a daily email identifying any proxy votes requiring action. Individual Investment Managers log in to the Glass Lewis Viewpoint web portal (using individual logins and passwords) to review the details of the proposals, including any concerns identified by the Glass Lewis research team. The Investment Manager can then instruct votes through the web portal.

Responsibility for proxy voting is taken by authorised Fund Managers. Current authorisations, including responsibilities for proxy voting for each Fund Manager on a fund-by-fund basis, are saved in individual training and competence folders.

We typically make our own voting decisions based on our research; however, the investment team has access to the Glass Lewis research for assistance. Please note, we do not delegate any voting responsibilities to Glass Lewis. When exercising votes, we vote with best interests of our funds, investors, and clients.

We do not apply a common rule approach to proxy voting. It is in the hands of the portfolio managers to make their decisions based on their knowledge of the company and other background information. Therefore, at times Guinness will vote against Glass Lewis recommendations when we believe it is in the best interest of shareholders to do so. When votes are made against either management or Glass Lewis, we note the rationale for doing so. Examples of these are noted under this Principle.

For example:

- Several votes have been made against companies in carbon-intensive industries if they fail to disclose to the Carbon Disclosure Project.
- Remuneration policies have been voted against when they are measured against short-term performance, and measurements that can be easily manipulated such as Total Shareholder Return (TSR). At Guinness we believe performance targets should not be associated with short-term share performance. This is because these targets can be influenced by several factors: including temporary sentiment and current news. We believe remuneration should deter excessive risk taking and attention should be given to agreements, such as clawbacks and malus, to avoid awarding despite failure.
- Auditors are voted against when it is clear they have exceeded an acceptable tenure. To safeguard independence, we believe companies should rotate their auditor over time.

Clients

House Policy

It is not possible for individual clients to override our policies.

Segregated & Pooled Accounts

During the reporting period, all client accounts were pooled accounts such as funds. It has therefore not been possible for individual investors to override our policy or direct voting.

Stock Lending

We do not engage in stock lending, helping to avoid uncertainty over beneficial ownership or 'empty voting'.

Voting Statistics

Since 2020, we have reported voting results quarterly. The latest report can be found at: https://www.guinnessgi.com/about-us/responsible-investment#tab-literature . We have made the decision to increase the transparency of our voting reports, since the launch of our new website.

Prior to 2021, as previously stated under **Principle 8**, voting took place via ProxyEdge.

Since our adoption of Glass Lewis as our proxy provider in January 2021 we have had access to more detailed data.

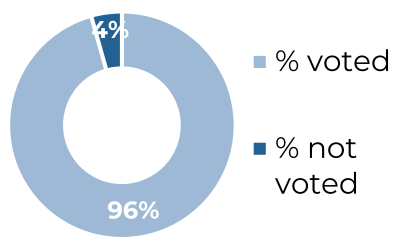
Table 4, below, summarises all voting data in the reporting period.

Table 4: Voting Summary Results

	ASIA				GLOBAL					SPECIALIST			TOTAL
	Asian Equity	Best of Asia	Best of China	Emerging Markets	Global Equity	Global Innovators	European Equity	Sustainable Global Equity*	UK Income	Money Managers	Global Energy	Sustainable Energy	
Number of resolutions	**427**	**436**	**555**	**490**	**588**	**432**	**625**	**417**	**614**	**383**	**565**	**548**	**6080**
% voted	100%	91%	100%	98%	100%	100%	88%	100%	100%	100%	94%	90%	**96%**
% not voted	0%	9%	0%	2%	0%	0%	12%	0%	0%	0%	6%	10%	**4%**
Of those voted...													
Voted For	85%	82%	82%	85%	90%	78%	95%	83%	99%	83%	76%	79%	**85%**
Voted Against	10%	13%	13%	10%	9%	19%	5%	7%	1%	9%	14%	18%	**10%**
Abstained/ Withhold/Other	5%	5%	6%	6%	0%	2%	0%	9%	0%	8%	10%	3%	**4%**

This does not include our US or multi-asset strategy voting statistics.

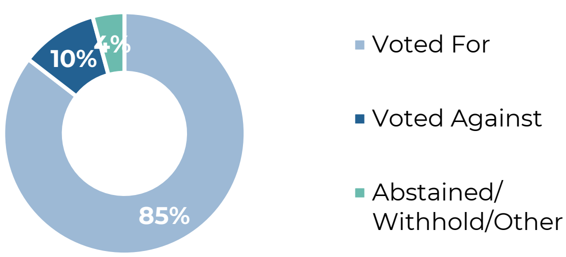
Figure 13: Proportion of resolutions voted



As of 31st December 2021

Source: Guinness Global Investors, Glass Lewis

Figure 14: Vote decisions of voted results



As of 31st December 2021

Source: Guinness Global Investors, Glass Lewis

During this reporting period, our investment team voted on 96% of the 6080 proxy votes that were available to them. Most missed votes were either due to administrative arrangements preventing votes being cast (due to missing power of attorneys) or because it was not in the best interests of clients to vote (due to restrictions on liquidity or 'share blocking').

Voting Decisions

Examples of rationales behind some of the investment team's voting activities during the reporting period. The examples also provide outcomes of the resolutions voted on.

Global & Developed Markets Team

Company	Mastercard
Last Meeting Date	22nd June 2021
Guinness vote decision	AGAINST
Management recommendation	FOR
Glass Lewis recommendation	FOR
Proposal Text	Advisory Vote on Executive Compensation
Comment	We believe executive remuneration is a key mechanism by which management (and most importantly, the CEO), are aligned to the long-term value creation of the company. To do this, we believe the company should be fully transparent with the metrics and targets used in assessing management. In the case of Mastercard, the company uses three metrics within its long-term incentive plan over a 3-year period: adjusted EPS and adjusted net revenues, with 50% weightings, in addition to a total shareholder return (TSR) modifier measured against the S&P 500. While the company discloses the metrics and weightings used, it does not disclose the targets for each metric making it difficult to hold management accountable. In addition, while we are not in favour of using TSR within incentive plans (viewing it as an outcome rather than an input), its use as a modifier is not unreasonable. However, the company measures Mastercard's TSR against the S&P 500 – a benchmark, we believe is too broad to accurately measure management's performance versus relevant peers. Aside from the compensation framework, which we believe has room for improvement, during 2021, the board exercised upward discretion for both the short and long-term incentive plans from an achieved pay out of 0% to a 100% pay out in response to unforeseen and an unprecedented environment created by the pandemic. Whilst we acknowledge this, we believe upward discretion is rarely warranted, enabling management to limit their downside whilst investors may have suffered from falls in the company share price.
Outcome	This management resolution had 24.5% voting against/withheld management recommendation.

Specialist Equity Team

Company	Chevron Corp
Last Meeting Date	26th May 2021
Guinness vote decision	FOR
Management recommendation	AGAINST
Glass Lewis recommendation	AGAINST
Proposal Text	Shareholder Proposal Regarding Scope 3 GHG Emissions Reduction
Comment	This shareholder resolution asked the company to reduce the GHG emissions of its energy products (scope 3) in the medium and long term as defined by the company. To allow maximum flexibility, nothing in the resolution sought to micromanage the company by seeking to impose methods for implementing complex policies. We believe oil and gas companies are instrumental to the low carbon transition, meeting the Paris Climate goals, and the US's target to reduce emissions by 50% by 2030. The vast majority of emissions from oil and gas companies are associated with their energy products therefore it makes sense to set a scope 3 emissions target. Other large integrated oil and gas companies have already made scope 3 reduction targets including Shell, Total, and BP.
Outcome	This shareholder resolution was widely supported by shareholders, voting against management's recommendation, and passed with a 61% majority.

Asia & Emerging Markets Team

Company	Shenzhou International
Last Meeting Date	28th May 2021
Guinness vote decision	AGAINST
Management recommendation	FOR
Glass Lewis recommendation	AGAINST
Proposal Text	Authority to Issue Shares w/o Pre-emptive Rights
Comment	We voted against the proposal to allow the company to issue shares without pre-emptive rights, up to 20% limit of issued share capital. We believe the 20% limit is too large and increases the risk of poor capital financing choices. We believe the limit should be 10%, a more reasonable figure which gives the company flexibility to grow without significantly altering the capital base. We also believe that companies should disclose the maximum discount rate used for the general mandate, which Shenzhou did not do.
Outcome	This management resolution had 37.6% voting against management recommendation.

Monitoring shares and voting rights

Our voting records are recorded and analysed regularly, therefore allowing our Compliance and senior management team to review any decisions (or exceptions) with the relevant portfolio manager. These records allow the monitoring of votes missed, votes against management and Glass Lewis (since adopting the Glass Lewis resources), covering the specific topics. This also enables the monitoring of recommendations from our proxy advisers. Voting is monitored and discussed in weekly investment team voting meetings, Monday investment team meetings and quarterly Responsible Investment Committee meetings. Any further discussions may be taken to senior management meetings.

Approval

This statement has been approved by

Edward Guinness, CEO

on behalf of the Board of Guinness Global Investors

Date: Effective April 2022

Appendix 1 - Voting Policy

Voting Philosophy

This document describes how Guinness Global Investors votes shares in companies held in our funds.

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. This 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

Proxy Voting

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 their respective Funds. 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 (RIC), which is a committee consisting of investment team members of GGI is designated as GGIs policy-making body with respect to voting. Records of our voting activities are maintained and reviewed on a quarterly basis by the RIC.

To assist in filing proxies, GGI retains 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.

The portfolio manager shall determine, on a case-by-case basis, the need to contact an issuer or other security holders to gather additional information with respect to a proposal. To the extent called for by any agreements with its clients or by its fiduciary duties, GGI will communicate with the client prior to making its determination as to the voting of a proxy.

In order to vote, some markets require shares to be temporarily immobilised from trading until after the shareholder meeting has taken place. Some other markets require a local representative to be hired, under a Power-of-Attorney, to attend the meeting and vote on our behalf. In such instances, it may sometimes be in clients' best interests to refrain from voting. But in all other circumstances we endeavour to exercise our voting responsibilities on clients' behalf.

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. In this document, we provide guidance, rather than rules, relating to what we take into consideration whilst exercising our votes.

Stewardship and engagement

Guinness Global Investors' Stewardship Policy and Responsible Investment Policy are both available on our website: https://www.guinnessgi.com/literature

As a firm, GGI does not usually divest from investee companies or screen out companies from our investment universes based solely on poor Environmental, Social, and Governance (ESG) scores. Our preferred approach is to engage with company management and try to invigorate change. Where necessary, this includes exercising our voting rights to signal, support, or sanction certain behaviours.

This document addresses on a topic-by-topic basis our policy applied to the most common voting areas. The topics are:

1. Disclosure
2. Dividends
3. Auditors
4. Board Composition
5. Remuneration
6. Capital Management

7. Shareholder Rights
8. Mergers, Acquisitions and Related Party Transactions
9. Anti-Takeover Provisions
10. Shareholder Resolutions

Disclosure

Annual report

Financial disclosures should be detailed, transparent and understandable. They are vital for ensuring investors have relevant, fair, and current information on a company's financial position, profitability, and sustainability. They should meet accepted reporting standards, such as those prescribed by the International Accounting Standards Board (IASB). Usually, proposals regarding annual reports are limited to acknowledgment of receipt, and we will usually approve provided there are no concerns about the integrity of the financial statements. Where we hold concerns that disclosures are inaccurate, insufficient, or incomplete, we may vote against the report and accounts.

Climate and financial disclosures

GGI expects its portfolio companies, especially those that operate in carbon- or energy-intensive sectors, to measure and report relevant climate related information. Where this reporting is found to be insufficient, we may vote against the report and accounts.

Voting results

We expect companies to disclose publicly the results of AGM in a timely manner. Where companies do not disclose their voting results, we may choose the vote against the report and accounts.

Not all regions have a vote on reports and accounts. If we are unable to vote against the report and accounts, we may choose to vote against the Chair of the board, the Chair of the Audit Committee, or re-election of the auditor.

Dividends

Practice differs by jurisdiction as to whether companies are required to submit dividend resolutions for approval at shareholder meetings, or whether dividends can be declared by board resolution alone. Where required, we may vote against such proposals if we deem the pay-out ratio to be too low, particularly if cash is being accumulated with little strategic intent. Conversely, if we consider a proposed dividend to be too high in relation to a company's underlying earnings capability, we may also vote against the resolution.

Auditors

Auditors should provide an independent and objective check on the way in which the financial statements have been prepared and presented. GGI may vote against the appointment or re-appointment of auditors who are not perceived as independent, or where there has been a clear audit failure.

To safeguard independence, we believe companies should rotate their designated auditor over time. We also expect companies to disclose auditor remuneration and distinguish between audit and non-audit fees. Non-audit fees paid to the company's statutory audit firm should not exceed good local market practice. If there is a lack of explanation over the nature or size of non-audit services, we may oppose the re-appointment of the auditor.

Board composition

Independence

The number of independent directors on a board should be sufficient so that their views carry weight in the board's decision-making processes and the views of minority shareholders are sufficiently represented. The required number of independent directors and the definition of independence often varies by jurisdiction.

An independent director is one who has no significant personal, financial, familial, or other ties with the company which might pose a conflict of interest. We would expect a company to disclose relevant information which might impact a director's independence such as length of tenure, alongside historic professional or familial involvement with the firm.

Where we believe there to be an insufficient level of independence on a board, we may choose to reflect this through our vote for the Chair of the Nomination committee, the Chair of the board, or the non-independent directors unless an acceptable explanation is provided.

Detailed information should be disclosed for new director appointments including independence, existing time commitments (full time roles, directorships, etc.), prior experience, and new skills/knowledge that they bring to the board.

Chair

As a general rule, we believe that a separate Chair and CEO ensures a clear division of responsibilities at the head of a company, such that no one individual has unfettered powers of decision-making. In instances where the two roles are combined, we prefer to see a designated Lead Independent Director or Senior Independent Director to provide oversight over executive decisions.

Diversity

A strong and effective board should comprise of competent individuals with the necessary skills, background, and experience to provide objective oversight of management. The board's composition should take diversity into account in the broadest sense of the word (gender, age, experience, ethnicity, etc.). We believe that diversity of thought contributes towards long term value creation via nurturing more innovative cultures, enabling constructive criticism of management, and reducing the risk of group think. Although we do not endorse quotas, we encourage boards to have a strategy to promote diversity of thought. Where we deem a board to have insufficient diversity of thought, we may choose to reflect this through our vote for the Chair of the Nomination committee or Chair of the board.

Board committees

To strengthen the governance process, boards often delegate key oversight functions, such as responsibility for Audit, Nomination and Remuneration issues, to separate committees. Members of all committees should be identified in the annual report.

Expectations of independent representation on Audit, Remuneration, and Nomination Committees differ across markets. We expect companies to follow local market best practice with respect to committee independence.

Boards of banks, insurance companies, and other large or complex companies, should consider establishing a Risk Committee to provide independent oversight and advice to the board on the risk management strategy of the company.

Multiple directorships

To carry out their responsibilities effectively, non-executive directors must be able to commit an appropriate amount of time to board matters. We may vote against the election or re-election of directors we believe are over-boarded. This is done on a case-by-case basis based on the nature of directorships held.

Meeting attendance

We will consider voting against director re-election proposals for individuals with poor attendance records unless valid reasons for absence are disclosed.

Remuneration

Policy

The purpose of remuneration is to attract, retain and reward competent executives who can drive the long-term growth of the company. Ensuring that executive remuneration is appropriate is therefore of particular importance for shareholders. Ideally a company's remuneration policy should be periodically presented to shareholders as a separate voting item with an annual 'say on pay'. We note however, that this is not an established norm in all markets. Any changes made to the remuneration policy should be fully explained by the remuneration committee.

Executive directors

Executive remuneration should fully align the executive with the long-term interests of shareholders, where superior awards can only be achieved by achieving superior performance against well-defined metrics.

We generally prefer any variable compensation arrangement to have both a short-term and long-term component. Policies which seek to promote long term share ownership among senior executives will generally be viewed favourably e.g., share ownership guidelines or bonuses including deferred shares.

Remuneration should discourage excessive risk taking and due consideration should be given to arrangements, such as clawbacks, to avoid payment for failure / underperformance. We also believe that executive directors should be encouraged to make a meaningful and long-term investment in company stock to align their financial interests with those of shareholders.

GGI will usually vote in favour of well-structured compensation schemes with clear, specific, and challenging performance criteria, which are fully disclosed to shareholders. Performance metrics should incentivise financial, operational, and sustainable value creation. Remuneration structures which incentivise long term improvements in return on capital will generally be viewed favourably.

Remuneration practices involving high quantum, retention payments, or questionable discretion will be scrutinised closely. We will usually vote against remuneration awards which we deem to be excessive, or where we perceive the remuneration committee to have departed from the remuneration policy without a sufficient explanation. We expect remuneration committees to explain why performance criteria are considered to be challenging, and how they align the executive's interests with those of shareholders.

Non-executive directors

Non-executive directors should receive sufficient remuneration to attract and retain suitably qualified individuals and encourage them to undertake their role diligently. GGI believes that non-executive directors should be encouraged to make a meaningful and long-term investment in company stock to align their interests with those of shareholders. They should not receive retrospective ex-gratia payments at the termination of their service on the board.

Capital management

Equity issuance

We will generally vote in favour of equity issuances if we believe they enhance a company's long-term prospects and are not excessively dilutive. GGI also believes in pre-emption rights of ownership, in that any new issue of equity should first be offered to existing shareholders before being made available more broadly.

In many jurisdictions, companies ask shareholders for authority to issue new equity up to a certain percentage of issued capital, and up to a maximum discount to market prices (so-called "general mandate"). As shareholders, we recognise the flexibility the general mandate gives companies, and we wish to be supportive of such proposals. However, we also recognise that these mandates can be open to abuse. We tend to vote against requests for excessively dilutive issuance unless a strong explanation has been provided justifying such terms.

Debt issuance

GGI will generally vote in favour of debt issuance proposals if we believe it will enhance a company's long-term prospects. At the same time, we will usually vote against any uncapped or poorly defined borrowing limits, as well as debt issuance which could result in excessive financial leverage. We will usually also vote against proposals to increase debt explicitly as part of a takeover defence.

Share repurchase programs

GGI will generally vote in favour of share repurchase or buy-back programs if we believe the repurchase is in the best interests of shareholders. We are likely to support reasonably sized share repurchase programmes where repurchases are then cancelled, rather than being held for reissuance. At the same time, we will usually vote against abusive repurchase schemes, or when shareholders' interests could be better served by deployment of the cash for alternative uses. When purchased, we prefer that such shares are cancelled immediately, rather than taken into Treasury for re-issuance at a later date.

Shareholder rights

GGI will generally support resolutions which seeks to improve director accountability (e.g., through annual re-elections) or increase minority shareholder rights and protections.

Mergers, acquisitions, and related party transactions

Mergers and acquisitions are considered on a case-by-case basis, and votes are determined by the best interests of our clients.

Related party transactions (RPTs) are common particularly in a number of Asia Pacific jurisdictions. These are transactions between a company and its related parties, and generally come in two forms: one-off transactions (e.g., asset purchases), and recurring transactions (e.g., sale and purchase of goods and services).

We will assess one-off transactions on a case-by-case basis. If we are convinced by the strategic rationale and the fairness of the transaction terms, we will likely vote in favour. For recurring transactions, details should be disclosed in the Annual Report and subject to shareholders' approval on a periodic basis. We would expect all such transactions to have been conducted on an arms-length basis and on normal commercial terms.

Anti-takeover provisions

Poison pills, and other anti-takeover provisions, are arrangements designed to defend against hostile takeover. Typically, they give shareholders of a target company or a friendly third party, the right to purchase shares at a substantial discount to market value. Companies may be able to adopt poison pills without shareholder approval, depending on their jurisdiction.

GGI is generally opposed to any artificial barriers to the efficient functioning of markets and believe corporate control should be for all shareholders to decide; poison pills may well be being used to entrench existing management. Where anti-takeover devices exist, they should be fully disclosed to shareholders and shareholders should be given the opportunity to review them periodically.

Shareholder resolutions

Companies should conduct their business in a manner which recognises their responsibilities to employees and other stakeholders, as well as to the environment and broader society. We will consider supporting shareholder proposals that contribute to the long-term success of the company.

Proxy votes relating to environmental or social issues will be addressed on a case-by-case basis. We seek to differentiate between constructive proposals, intended to bring about genuine environmental or social improvement, and hostile proposals intended to limit management power, which may adversely impact shareholder returns.

We support companies establishing a Sustainability Committee (or equivalent) to oversee environmental and social issues. We expect companies to publish a separate Sustainability Report, or to provide a Sustainability statement within their Annual Report, or on their website. GGI will generally support shareholder proposals seeking improved environmental and social disclosures.

Important Information

This document is provided for information only. All the information contained in it is believed to be reliable but may be inaccurate or incomplete; it should not be relied upon. It is not an invitation to make an investment, nor does it constitute an offer for sale.

The documentation needed to make an investment, including the Prospectus, the Key Investor Information Document (KIID) and the Application Form, is available from our website www.guinnessgi.com

The funds invest mainly in shares, and the value of these may fall or rise due to a number of factors, including the performance of the company and general stock market and exchange rate fluctuations. The value of your investment may rise or fall, and you could get back less than you invest. Past performance is not a guide to future performance. Further information about risks can be found in the Prospectus.

The Investment Manager, Guinness Asset Management Ltd, is domiciled in the United Kingdom and is authorised and regulated by the Financial Conduct Authority.

Guinness Asset Management Funds plc, the umbrella fund with the Guinness sub-funds, is domiciled in Ireland and is authorised and supervised by the Central Bank of Ireland as a UCITS fund. It is also recognised by the Financial Conduct Authority for distribution in the United Kingdom. The sub-funds may also be distributed in various other countries – please contact us for details.

TB Guinness Investment Funds, the umbrella fund with the TB Guinness sub-funds, is domiciled in the United Kingdom and is authorised and regulated by the Financial Conduct Authority as a UCITS fund.