OUR APPROACH TO RESPONSIBLE INVESTMENT & ESG

GUINNESS GLOBAL REAL ASSETS FUND

POSITIVELY DIFFERENT

GUINNESS GLOBAL INVESTORS

CONTENTS

This paper outlines our approach to responsible investing when managing the Guinness Global Real Assets Fund ("the Fund"). The Fund is classified as Article 8 for the purposes of the EU's Sustainable Financial Disclosure Regulation ("SFDR").

In this paper, we refer to the UN PRI definition of responsible investing and explain what ESG means to us and how it is incorporated into the investment process for our Funds. We also discuss our Stewardship activity, including how we engage with companies on ESG issues and how we undertake our proxy voting responsibilities.

INTRODUCTION TO RESPONSIBLE INVESTMENT & ESG

DEFINING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Fundamental data and rigorous research have always been the cornerstones of our investment processes 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 thorough framework.

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.

As proud signatories of the United Nations Principles for Responsible Investments (PRI), we are committed to adopting and implementing responsible investment principles in a manner that is consistent with our fiduciary responsibilities to clients. We do this by incorporating ESG analysis into our investment process and engaging with investee companies on ESG issues.

DEFINING RESPONSIBLE INVESTMENT

The jargon used to describe responsible or ESG investing has become increasingly nuanced, confusing, and overlapping as investors have sought their own differentiated approach. Whilst the same labelling can represent different things to different people, we generally find that "responsible investment" describes the entire spectrum of ESG-related investment methodologies.

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

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

Source: UN PRI

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

Source: UN PRI

Aspects of each of these RI components are included in the Guinness Global Real Assets Fund investment process that are described on page 6.

OUR INVESTMENT PHILOSOPHY

The Guinness Global Real Assets Fund is an equity fund investing in a portfolio of primarily global (which may include emerging markets) companies deriving a significant proportion of their business (at least 50% of revenues) from the financing, development, construction and operation of real assets including infrastructure and real estate. The application of this investment philosophy informs the creation of a universe of around 400 companies with over $500m market capitalisation that operate across target infrastructure and real estate sub-sectors. After a prioritisation process, we select the best companies to populate our 35-position portfolio with broadly equal weightings. Our investment universe spans several GICS sectors, and the Fund's benchmark is the MSCI World Core Infrastructure Index.

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

ESG INCORPORATION

The first approach to ESG incorporation, according to the UN PRI, is the integration of ESG factors. The PRI defines this as “the explicit and systematic inclusion of financially material ESG information in investment analysis and investment decisions”. As long-term investors seeking to identify good quality companies across our portfolios, we believe that ESG considerations play a direct role in managing company-specific risks, and thus can have the potential for a meaningful impact on long-term returns.

ESG INTEGRATION

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

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

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

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

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

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

The analysis described above often forms the basis of our proxy votes and engagement, which we describe in more detail below.

SCREENING

The second approach to ESG incorporation, according to the UN PRI, is the application of screening. The PRI defines this as *"applying filters to lists of potential investments to rule companies in or out of contention for investment, based on investor's preferences, values or ethics."*

POSITIVE SCREENING

The construction of the Guinness Global Real Assets portfolio follows a three-stage process, involving various elements of screening. First, companies are selected that have a minimum market capitalisation of $500m, align with the Fund's investment philosophy and are active across infrastructure and real estate sub-sectors (c.400 companies). Second, this universe of 400 companies is screened to identify those companies with persistent cash flow returns on capital, conservative leverage and a track record of dividend growth (c.110 companies). Finally, fundamental company-level analysis is combined with top-down sector views in order to construct a portfolio of 35 companies.

NEGATIVE SCREENING

The Fund excludes some companies based on their activities, in accordance with our firmwide exclusion policy, as detailed below. There are no additional negative screens applied beyond this firmwide exclusion policy.

(i) Controversial Weapons

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

(ii) Thermal Coal

We also exclude companies that generate more than 30% of revenues via thermal coal extraction or thermal coal-based power generation.

In the event that a company already held in our portfolios is added to one of our exclusion lists, or an excluded company is added to a portfolio in error, we will, following confirmation of the company's involvement in the excluded activity, seek to divest the holding within 90 business days.

The Company's exclusion policy can be found on our website.

STEWARDSHIP – ENGAGEMENT

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

THE GUINNESS ENGAGEMENT FRAMEWORK

All engagement is conducted by the investment management team. This helps to ensure that the results of our engagement and monitoring activities feed directly into the investment decision making process.

In our engagement efforts, we seek to ensure that the strategies of our portfolio companies are aligned with best-in class practices and approaches within the infrastructure and real estate markets. Communication can involve debating top-down ESG themes with management, questioning management on poor bottom-up ESG scores or key issues raised in our qualitative ESG analysis. Our engagement framework has three pillars:

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

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

We report on our engagement activity in our Corporate Responsible Investment Report on an Annual Basis.

Escalation

There may be some instances where 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 basis and does not necessarily differ between our investment teams, assets, or geographies. We define our Escalation Policy in Principle 11 of our Stewardship Code report.

Collaborative Engagement

At Guinness we also believe in taking collaborative action on 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.

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

STEWARDSHIP – PROXY VOTING

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

POLICIES & PROCEDURES

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

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

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

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

ASSOCIATIONS

We value opportunities to be involved in the development of good practice in responsible investment. We participate in a range of industry groups in order to gain the opportunity to collaborate on, influence, and obtain enhanced knowledge of ESG issues and challenges within the industry.

We are a member of **CDP**, which allows us access to environmental data for all companies that report to CDP. Through our membership, we participate in collaborative engagements, such as the CDP Non-Disclosure Campaign (NDC). The NDC aims to drive further corporate transparency around climate change, deforestation and water security by encouraging companies to respond to CDP's disclosure requests.

CFA UK's mission is to build a better investment profession serving the public interest by educating investment professionals and by promoting and enforcing ethical and professional standards. A member of the investment team at Guinness is part of the Sustainability Community Champions group.

Since 2019, we have been members of **Climate Action 100+**, the world's largest-ever investor engagement initiative on climate change. We collectively engaged with a US-listed oil & gas producer across a wide range of topics including remuneration and methane reduction.

The **Independent Investment Management Initiative (IIMI)** aims to contribute effective financial regulation and promote client-centred models of investment management. Our CEO sits on the board of IIMI.

As the trade body for the UK investment management industry, the **Investment Association (IA)** seeks to represent industry interests and improve the investment landscape through thematic initiatives which highlight topics such as diversity and inclusion and by developing standards and best practice.

We became signatories to the **UN PRI** in 2019, which provides external assurance on our stewardship approach broken down by activity. Our most recent scores, reflective of activity in 2023, are available on page 5.

The **UK Stewardship Code 2020** sets high stewardship standards for those investing money on behalf of UK savers and pensioners. It comprises a set of 12 'apply and explain' principles for asset managers and asset owners to demonstrate their stewardship role and practice.

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 Responsible Investment Lead is a member of the Industry Development Committee, and another member of the investment team serves on the Membership Committee.

IMPORTANT INFORMATION

Guinness Global Investors is a trading name of Guinness Asset Management Ltd., which is authorised and regulated by the Financial Conduct Authority (223077).

GGI-ESG-RA-V2-07-07-25