

RESPONSIBLE INVESTMENT REPORT 2022



Publicly available at <https://www.guinnessgi.com/>
This is a marketing communication. Please refer to the prospectuses, KIDs and KIIDs for the Funds, which contain detailed information on their characteristics and objectives, before making any final investment decisions.

POSITIVELY DIFFERENT

GUINNESS
GLOBAL INVESTORS

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MESSAGE FROM OUR CEO

Welcome to our 2022 Responsible Investment Report.

This report outlines the progress and achievements made at Guinness Global Investors (“Guinness”) across responsible investment during 2022.

From introducing our first Environmental, Social & Governance (ESG) Policy in 2014 and signing up to the UN PRI in 2019, our responsible investment activity has gathered momentum.

As at 31st December 2022 we have seven funds designated as Article 8 under the EU SFDR with around \$4.5bn of assets and one fund designated as Article 9 with around \$1bn of assets. Full information about our funds and their EU SFDR designations is included later in this document and also on our website in the relevant fund sections.

We have also developed our ‘Approach to Responsible Investment and ESG’ documents for specific funds. These outline each fund’s bespoke approach to the incorporation of ESG factors and stewardship activity, thereby complementing our company-level ‘Responsible Investment Policy.’ These documents are available on the relevant fund website pages.

Under stewardship, we have partaken in further collaborative engagements. We signed up to the CDP non-disclosure campaign, became a signatory of the 2022 Global Investor Statement (“GIS”) to Governments on the Climate Crisis, and co-signed the World Benchmarking Alliance Oil and Gas Transition Letter. Our voting analysis and depth of reporting has progressed - quarterly reports are available on our website. We cast 13,134 proxy votes and voted against management on 20 per cent of those occasions in 2022.

In September 2022 we received our latest PRI Assessment Report. We were awarded 4 out of 5 for Investment & Stewardship Policy and Incorporation (Active Fundamental) and 3 out of 5 for Voting (Active Fundamental). Since 2020, the period assessed, our approach has evolved considerably, in particular our voting activity, where we expect to score materially better in the next assessment.

We continue evolving our internal ESG work, including recording our company level scope emissions, encouraging greener approaches to how the business and staff operate, and providing in-house ESG training at company level.

I hope you enjoy reading this report. As always, we welcome your feedback and any comments on our work.



Edward Guinness

Chief Executive Officer

ABOUT US

Guinness Global Investors was founded in 2003 and provides a range of long-only actively managed funds to individual and institutional investors.

At heart, Guinness is a value (or growth at reasonable value) investor. We combine strategic sector selection with a fundamental screening and valuation process to identify stock opportunities.

Our in-house economic, industry and company research allows us to take an independent view and not be led by the market. Our size and specialist nature also means we have the ability to respond quickly and efficiently to market movements.

Guinness is owned entirely by its employees. The founder retains a majority share in the company and this 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. We try to maintain 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.

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.

2022 Highlights



*As at 31 December 2022.

**These scores are reflective of our 2020 activity.

OUR FUND RANGE

Guinness manages \$7.3bn across 21 UCITS funds across Dublin and the UK and 11 US domiciled funds and ETFs. Dublin domiciled funds are the largest portion of our business, representing \$6.3bn.

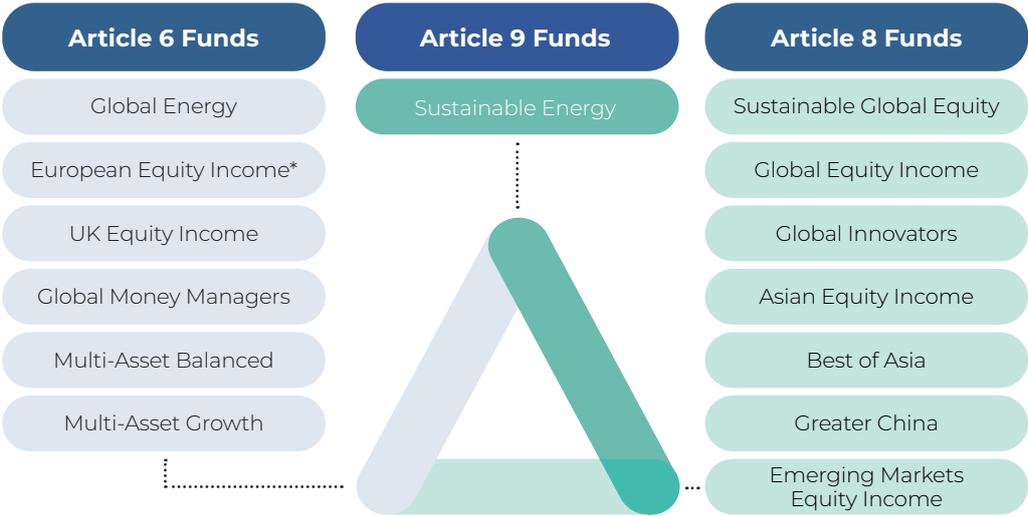
Our range of Dublin-SICAV funds is subject to the EU Sustainable Finance Disclosure Regulation (“SFDR”). It was introduced to help improve transparency in the market, increase transparency around sustainability claims made by financial market participants and prevent greenwashing. The main provisions have been applicable as of March 2021. There are three classifications of investment strategy that apply to our funds:

Article 6 classifies funds which are not committed to integrating any kind of sustainability into the investment process.

Article 8 funds promote environmental or social characteristics.

Article 9 funds have sustainable investment as their objective.

Figure 1 - Guinness funds according to SFDR Classification



For further details, please see our website disclosure available on each of the individual funds literature pages at guinnessgi.com.

*Now an Article 8 Fund as at 5th April 2023

OUR SUSTAINABLE FUNDS

Thematic investing is “seeking to combine attractive risk-return profiles with an intention to contribute to a specific environmental or social outcome” – UN PRI.

We take thematic approaches to ESG incorporation in two of our investment strategies:

The **Guinness Sustainable Energy** strategy invests in companies selling products and services which will help to deliver the transition towards a low carbon economy. By investing in such companies, the managers believe that the fund’s success is closely aligned with this positive environmental impact.

Each investment in the **Guinness Sustainable Global Equity** strategy must align to a sustainability theme, including health & wellbeing, productivity & connectivity, and resource efficiency to be considered for the portfolio. The fund complements its exclusion policy outlined below with an internal exclusion list.

Figure 2 - Guinness Sustainable Fund Range

	Sustainable Energy Strategy	Sustainable Global Equity Strategy
Investment Objective	Investing in companies playing a key role in global decarbonisation	Investing in companies benefiting from the transition to a more sustainable economy
Investment Case	Pureplay exposure to global renewable energy markets, which the team believe will benefit from strong demand growth and improving economics of renewable energy supply	Global exposure to high quality mid-cap growth companies, with sustainable products and practices
EU SFDR Classification	Article 9	Article 8
Fund Range	<ul style="list-style-type: none"> Guinness Sustainable Energy Fund WS Guinness Sustainable Energy Fund Guinness Atkinson Alternative Energy Fund Sustainable Energy II ETF (SOLR) 	<ul style="list-style-type: none"> Guinness Sustainable Global Equity Fund WS Guinness Sustainable Global Equity Fund
Exclusion Policy	Excludes companies engaged in the extraction of oil, natural gas and coal, as well as the manufacture of controversial weapons	Excludes companies which derive material revenue from alcohol, coal fossil fuels, gambling, nuclear energy, palm oil, tobacco and weapons
<ul style="list-style-type: none"> Norges Bank Exclusion List 	✓	✓
<ul style="list-style-type: none"> MSCI ESG Laggard 		✓

The Norges Bank Exclusion List currently features around 130 companies, excluded for product-based and/or conduct-based concerns. Product-based exclusions include nuclear weapons, tobacco, or coal production. Conduct-based exclusions include severe environmental damage, human rights violations, or gross corruption. More details are available [here](#).

MSCI ESG laggard exclusions include those companies receiving a B or CCC rating from MSCI ESG.

EU SFDR classifications are outlined on page 5.

OUR APPROACH TO RESPONSIBLE INVESTMENT

Responsible investment is “a strategy and practice to incorporate environmental, social and governance (“ESG”) factors in investment decisions and active ownership (stewardship)” – UN PRI.

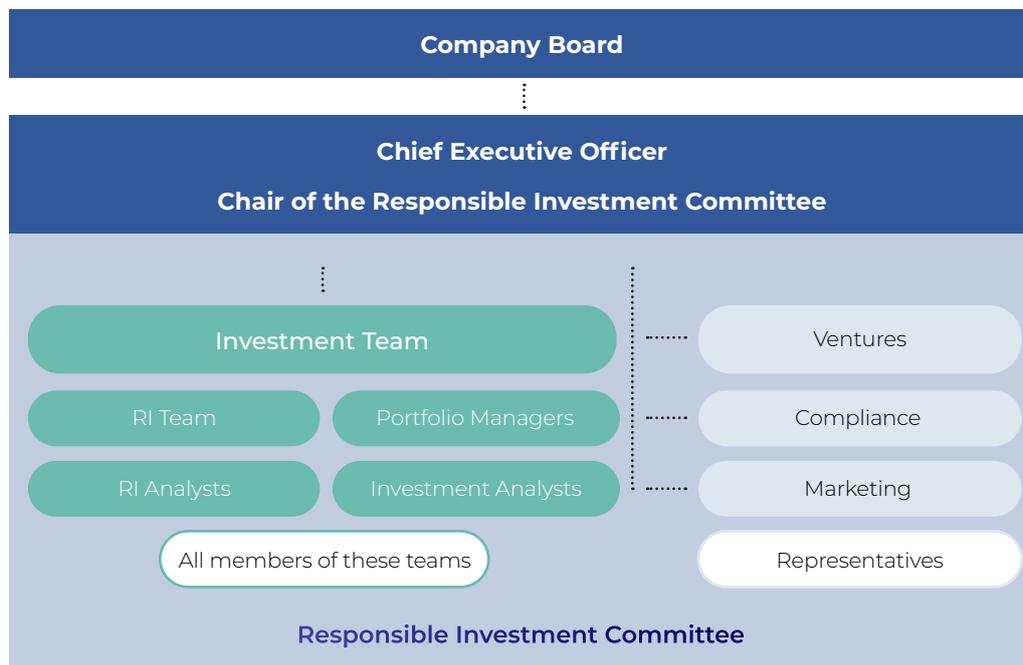
At Guinness, responsible investment activity is divided between the incorporation of ESG factors and stewardship activity, such as engagement and voting.

The individual investment teams carry out responsible investment activities on a day to day basis. This ensures that RI and ESG factors are embedded within our investment process. Our **Responsible Investment Team** provides support to all investment teams and prepares company-wide analysis and materials.

The **Responsible Investment Committee**, chaired by our **CEO**, has the objective of developing, performing, and monitoring ESG incorporation and stewardship activities within Guinness Global Investors. The Committee meets at least quarterly and includes all portfolio managers as well as representatives from the Compliance & Risk team, Marketing team, and Ventures team.

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 RI approach.

Figure 3 - Guinness Responsible Investment Structure



ESG INCORPORATION

We believe that incorporation of ESG factors – for which we use both proprietary quantitative scoring and qualitative analysis – enables us to assess potential risks and opportunities and can enhance our investment process.

United by a shared investment philosophy, our investment teams use the same ESG incorporation approach. Environmental factors consider how a company performs as a steward of nature; Social factors 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.

Thirty per cent of our research budget is now spent on dedicated ESG resources.

We 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. Further information is available in our [Responsible Investment Policy](#).

Portfolio managers are empowered to tailor their processes to the respective geographic and sectoral focus of their strategies and ESG analysis typically includes quantitative scorecards and/or qualitative analysis.

Figure 4 - ESG data and research sources

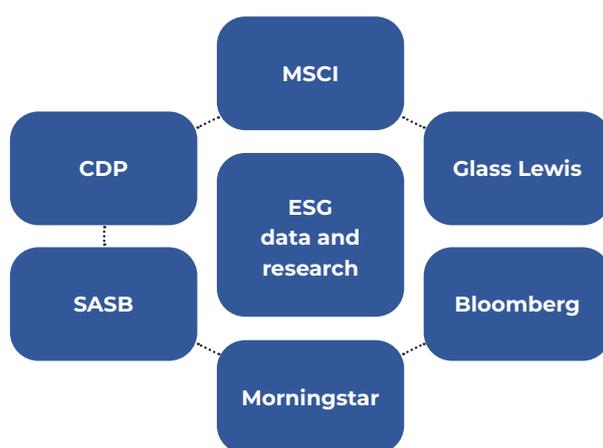


Figure 5 - Exclusion List



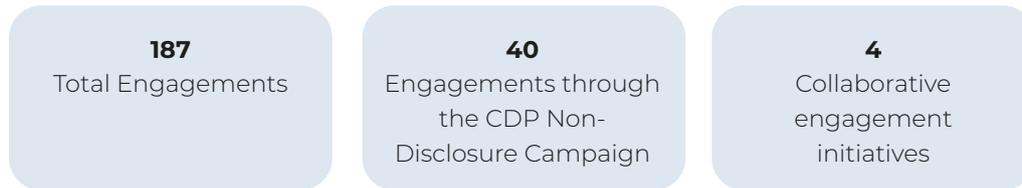
Our approach to incorporating ESG factors continues to evolve and during 2022, the investment team worked on developing its analysis of the impact of remuneration, portfolio climate sensitivity, positive impact analysis and governance factors such as shareholder rights, committee structures, and overboarding risks.

As a house, we typically prefer engagement over exclusion but, for some areas of activity, we rule out some companies from our investment universes. Our firm-level [exclusion policy](#) includes a policy on Cluster Munitions and Anti-Personnel Mines and Coal Exclusion while fund level exclusion policies may add additional exclusionary criteria (see Figure 5).

We also consider the Weighted Average Carbon Intensity (WACI) of our funds in absolute terms and also relative to their benchmarks. The WACI is the sum of the direct scope 1 and scope 2 emissions for our equity holding divided by our share of the company's annual sales.

ENGAGEMENT

Engagement activities are conducted both individually by our investment teams and via collaborative initiatives.



As active shareholders with long-term investment horizons, engagement is fundamental to our investment process. We engage with investee companies for a number of reasons including influencing investee companies proactively on ESG issues, encouraging improved and/or increased ESG disclosure and in order to gain a greater understanding of their ESG strategy.

Our engagement framework has three pillars: disclosure, target setting, and incentivisation.

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.

We measure our engagements against a set of milestones to track our progress and achievements. Our engagements may take place over a number of years, containing multiple interactions on the same subject, from raising an issue to the change being implemented.

COLLABORATIVE ENGAGEMENTS

Where appropriate, members of the investment team will use initiatives to engage collaboratively with portfolio companies.

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 initiatives provided by the following institutions:



ENGAGEMENT CASE STUDIES



Background

NextEra Energy is one of the cleanest utilities in the US, with 53% carbon-free generation (25% wind, 21% nuclear, 7% solar) in 2021. This results in an emissions intensity 51% lower than the industry average.

⋮

Issue

NextEra lacked meaningful longer-term (2030/2050) climate targets, including emissions intensity and renewable generation targets, despite its strong relative performance in our internal ESG review.

⋮

Engagement

We wrote to NextEra in July 2021, and met with the company in August 2021, suggesting it set a new long-term environmental target and have it validated by Science Based Targets Initiative (SBTi).

⋮

Outcome

In June 2022, NextEra set an industry-leading “Real Zero” goal to eliminate carbon emissions from its operations by no later than 2045 without the use of offsets.



Background

Roper Technologies is a US-based diversified technology company of approximately 45 businesses, typically in niche markets.

⋮

Issue

Roper did not make any disclosures to CDP, a charity that aims to encourage standardised carbon emissions reporting. Disclosure is the first step in helping investors identify business risks, and it encourages companies to manage these risks.

⋮

Engagement

We engaged on this issue with Roper in July 2021, and in 2022, Guinness were one of 60 co-signatories of a letter to Roper, encouraging CDP disclosure.

⋮

Outcome

We were very pleased to see that Roper Technologies reported to the CDP for climate change in 2022.



Background

Devon Energy is a US-based oil and gas producer, focusing on five onshores operations across the US. We have been collectively engaging with Devon on a variety of topics via the Climate Action 100+ (“CA100+”) initiative over the past three years.

⋮

Issue

At the start of our ongoing engagement in late 2019, issues identified included Devon’s lack of TFCF-aligned disclosures and scope 3 emissions reporting, as well as around its remuneration structure and environmental target-setting.

⋮

Engagement

We have participated in several calls with CA100+ collaborators and Devon Energy throughout 2021 and 2022, contributing our knowledge and experience of investing across the energy spectrum.

⋮

Outcome

Achievements in 2022 include the introduction to Devon’s annual executive incentive plan of a 15% weighted standalone emissions reduction target. In August, we encouraged Devon to reduce the incentive plan’s weighting to production growth.



Background

Sino Biopharmaceutical is a Chinese pharmaceutical company focusing on oncology and hepatitis products.

⋮

Issue

Sino Biopharmaceutical had an issue regarding entrenched directors on the board, and did not disclose any carbon usage targets.

⋮

Engagement

We engaged with the company and raised the issue of entrenched directors on the board. We also asked if the company planned on disclosing targets to reduce carbon usage.

⋮

Outcome

The company will look into the issue, taking into account local norms as to when an independent director is considered to no longer be independent. It is also aiming to disclose a target year to become carbon neutral, in its next ESG report.

VOTING

As responsible investors, we actively aim to exercise our rights and responsibilities across all our investments.



*Data includes all Dublin, UK and US funds.

We view voting as an important element of investment management and our voting philosophy reflects our values, our long-term perspective and our focus on sustainable returns.

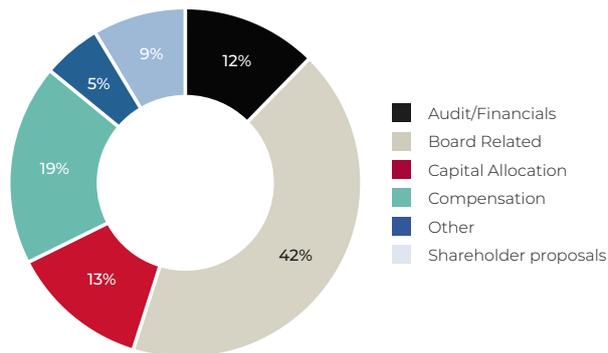
Our [Voting Policy](#), which is available on our website, guides our portfolio managers in making voting decisions. All voting is undertaken by the investment team, with oversight provided by our Responsible Investment Committee.

We make our voting decisions based on our own research, supported by proxy voting research from Glass Lewis. The final decision is made by the portfolio manager and decisions may often be against the Glass Lewis recommendation or company management.

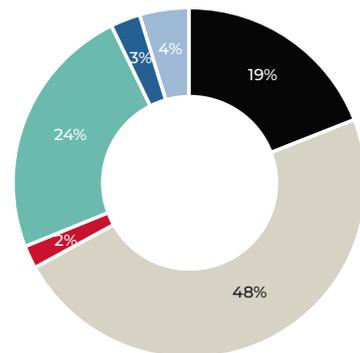
We intend to vote where possible. Occasionally, administrative arrangements may prevent votes being cast, or it may not be in the best interests of our clients to vote (due to restrictions on liquidity or 'share blocking').

Figure 6 - Guinness voting results

Voting results on decisions 'against' management by topic



Voting results on decisions 'against' Glass Lewis by topic



Source: Glass Lewis; Guinness Global Investors

VOTING CASE STUDIES

Date
28th April 2022



Proposal
Advisory vote on executive compensation

Guinness Team
Global and Developed Markets

Background
Texas Instruments is a 'trailing-edge' semiconductor designer and manufacturer, with a focus on analog and embedded processors.

Rationale
Our vote was based on several factors, but most importantly elements related to poor design and weak transparency. The majority of the short-term executive incentive plan was based on a discretionary cash bonus, with poor disclosure over award limits. Only a small proportion was 'performance-linked'.

Overall, we felt the structure created an unnecessary risk of excessive executive pay-outs.

Escalation
Following the vote, we expressed our concerns via email and continue to use proxy votes and direct communication to encourage better governance.

Voting Decision
Against management

Voting Outcome
12% votes against management

Date
24th May 2022



Proposal
Elect Ann F. Godbehere (Chair of Audit Committee)

Guinness Team
Specialist

Background
Shell undertakes the Carbon Tracker's Climate Accounting and Audit Alignment Assessment ("CAAA") on behalf of Climate Action 100+.

Rationale
We voted against Ann Godbehere, the chair of the Audit Committee at Shell because the company failed the CAAA.

The CAAA found that Shell disclosed more details in 2021 about how it integrated climate-related risks in its financial reporting. However, it failed to provide sufficient detail regarding the inputs used in its climate analysis, and did not use scenarios aligned with its own 2050 net-zero target.

Escalation
We continue to monitor Shell's climate related disclosures on an ongoing basis, and expect to see further improvements in 2023.

Voting Decision
Against management

Voting Outcome
2% votes against management

Date

17th June 2022



Proposal

Elect WONG Leun Hei (Chair of the Board)

Guinness Team

Asia and Emerging Markets

Date

20th October 2022



Proposal

Remuneration Report

Guinness Team

Asia and Emerging Markets

Background

China Lesso Group ("Lesso") is a diversified industrial group, focusing on the manufacturer of home improvement and building materials.

Background

JB Hi-Fi is an Australian retailer of home entertainment products, appliances, and consumer electronics.

Rationale

At voting, WONG Leun Hei was the CEO and Chair of Lesso and owned 68% of the company. He also chaired the Nomination Committee, and served on the Remuneration Committee.

Wong's presence on the committees may hamper independent decision making. The company board was composed of one-third independent members, whereas best practice suggest a board majority be independent.

Rationale

The majority of JB Hi-Fi's executive incentive plan was based on earnings per share (EPS) growth over three-year periods.

We typically prefer remuneration linked to more encompassing measures such as Return on Invested Capital (ROIC). ROIC is more directly influenced by management, and incentivises prudent capital allocation and operational efficiency.

Escalation

Later in 2022, the company announced a dramatic change in strategic direction. We felt a 'genuine' independent board may have checked the decision, and sold the position on the announcement.

Escalation

The team were pleased with the performance of the business over the period, and continue to monitor the company's remuneration structure.

Voting Decision

Against management

Voting Outcome

8% votes against management

Voting Decision

Against management

Voting Outcome

2% votes against management

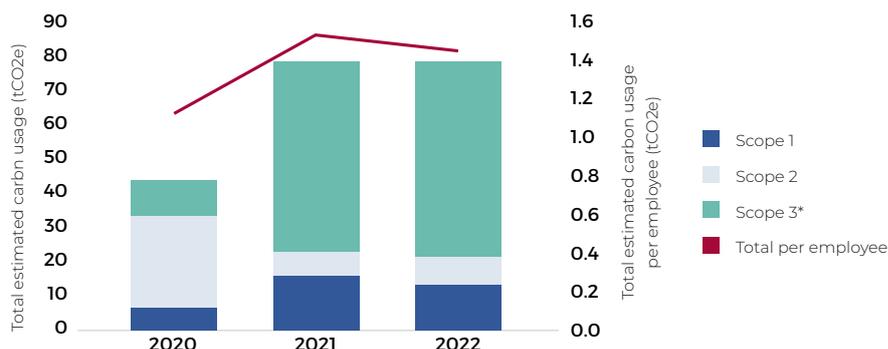
CORPORATE RESPONSIBILITY

We believe it is important to apply the high standards we expect of our portfolio holdings to our own activities. Accordingly, we aim to be a good corporate citizen in the communities where we work and have clients.

Carbon Emissions

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.

Figure 7 - Carbon usage summary



Source: Guinness Global Investors

Carbon usage data is produced annually on a best-efforts unaudited basis and is based on internal estimates using the [Government's Greenhouse gas reporting: conversion factors](#). We have several procedures in place to improve the environmental footprint of the company, including recycling initiatives, energy efficient lighting, electrical vehicle leasing, and cycle to work schemes for employees. Further details can be found in our Carbon Policy.

People

Diversity

Approximately 27% of our employees are female. Our employees come from a diverse group of cultural and ethnic backgrounds. We are working to increase the level of diversity across the firm and have a Diversity and Inclusion ("D&I") Policy in place. We have a D&I Committee which meets quarterly to discuss D&I strategy and initiatives to encourage diversity and inclusion among our workforce. This includes enhancing our recruitment processes, internship programmes, employment policies and procedures, and staff training. The aim is to cultivate a positive work environment where each employee feels respected and able to give their best. We also continue to track other measures including retention ratios; over the past three years, our average retention ratio was 95%.

Development

We offer employees numerous benefits including coaching opportunities. We also encourage and provide personal development of all employees through sponsorship of professional qualifications. Four employees of the investment team have been awarded the CFA Certificate in ESG Investing to date. The opportunity to take this qualification is available to all employees. We have introduced firmwide ESG training. This includes but is not limited to education on ESG, the responsible investment activity conducted at Guinness, stewardship activity and the consideration of ESG factors in the investment process. This allows us to ensure all employees in the firm are familiar with the responsible investment and ESG activity that is conducted across the firm.

*Scope 3 includes working from home buildings emissions, corporate/business travel, and commuting. Please note, 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.

COLLABORATIVE INITIATIVES

At Guinness we believe it is important 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 leading ESG issues and challenges within the industry.

Figure 8 - Collaborative Engagement Memberships



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.

Issued by Guinness Global Investors, a trading name of Guinness Asset Management Ltd.

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.

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



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