

### **(a) Summary**

This document provides detailed sustainability related disclosures regarding Guinness Global Investors ("Guinness" or the "Company" or "The Investment Manager") – China A Share Fund ("The Fund") which is categorised as Article 8 under the Sustainable Finance Disclosure Regulation ("SFDR").

### **(b) No sustainable investment objective**

This financial product promotes environmental or social characteristics, but does not have as its objective a sustainable investment.

### **(c) Environmental or social characteristics of the financial product**

The environmental and social characteristics promoted by the Fund are:

- The Fund will not invest in companies as per the Investment Manager's exclusion policy (to include, but not limited to, companies directly involved in the design, manufacture or sale of cluster munitions and anti-personnel mines, and companies that generate more than 30% of revenue, as determined by the Investment Manager, via thermal coal extraction or thermal coal power generation). For further details on the exclusions applied, a copy of the Company's exclusion policy can be found at (<https://www.guinnessgi.com/about-us/responsible-investment#tab-literature>).
- The Investment Manager assesses the environmental and social credentials of investee companies, and their governance practices, in particular with respect to company-specific ESG factors and overall disclosure through qualitative and quantitative analysis of company and third-party data. Examples of ESG factors include climate and environmental indicators, social and human capital factors, management remuneration and incentivisation, carbon intensity and carbon transition risk, and governance factors.

The Investment Manager undertakes engagement activities, where relevant, to encourage investee companies to improve aspects of some or all of their environmental, social or governance practices. The Investment Manager would consider it relevant to undertake engagement activities in the event that it identifies a company in its portfolio that does not comply with the exclusion policy. In such a scenario, the Investment Manager will contact the company directly for confirmation of their involvement in an excluded activity. Following confirmation of their involvement in this activity, the Investment Manager will divest any such holdings within 90 business days.

### **(d) Investment Strategy**

The investment objective of the Fund is to provide investors with long-term capital appreciation.

In seeking to achieve its investment objective the Fund intends to directly invest at least 80% of its net assets in equity securities (China A Shares) of Mainland China-listed companies with a market capitalization typically in excess of US\$500 million at the time of initial investment. The Fund may invest through the Shanghai-Hong Kong Stock Connect scheme or the Shenzhen-Hong Kong Stock Connect scheme (together, the "Stock Connect scheme").

Investments are selected using a combination of analysis of economic and market factors, screening the investible universe for key identifiers of quality, value, earnings trend and price momentum, and detailed analysis of the underlying business. The economic and market factors are linked to the Investment Manager's belief that a focus on structural growth themes is the best approach for identifying companies which can grow earnings. The Investment Manager analyses trends it sees in China as well as in global markets to identify these structural growth themes. Detailed analysis of the underlying business is carried out through the due diligence process. This involves financial analysis of the income statement, balance sheet and cash flow statements

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To measure the attainment of environmental and social credentials of investee companies, and their governance practices, the Investment Manager first identifies the specific exposures to each company, determined by its industry. Once identified, the Investment Manager analyses the significance of the exposure and progress made by management in mitigation and improvement. This analysis incorporates both third party sources as well as the Investment Manager's own data.

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Further details of how ESG is considered within the investment strategy are covered in the Fund's "Approach to Responsible Investment and ESG" document are available at (<https://www.guinnessgi.com/funds/guinness-china-a-share-fund#tab-literature>).

### **(e) Proportion of investments**

The fund promotes environmental and social characteristics, but does not commit to make any sustainable investments.

The fund is expected to invest a minimum 75% of its NAV in investments that are aligned with its environmental and social characteristics, and allocations may be higher than the minimum disclosed at any given time. Aligned with environmental and social characteristics includes the investments of the fund used to attain the environmental or social characteristics promoted by the fund. The remainder 'other' investments include the investments of the fund which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments, and can include cash, derivative and other investments including those for which there is insufficient data.

### **(f) Monitoring of environmental or social characteristics**

The Investment Manager monitors compliance with the environmental, social and governance characteristics outlined above on a regular basis through ongoing monitoring of key indicators using company and third-party data providers.

The Fund will also not invest in companies as per the Investment Manager's exclusion policy. A copy of the Company's exclusion policy can be found at (<https://www.guinnessgi.com/about-us/responsible-investment#tab-literature>). To implement the exclusion policy, exclusion lists of companies are created based on information provided by independent third-party sources. The exclusion lists are updated on an annual basis and are distributed periodically across the firm. In the event the Investment Manager identifies a company in the Fund that does not comply with these policy requirements, the Investment Manager will contact the company directly for confirmation of their involvement in an excluded activity. Following confirmation of involvement in this activity, divestment of any such holdings will be made within 90 business days.

To measure the attainment of environmental and social credentials of investee companies, and their governance practices, the Investment Manager first identifies the specific exposures to each company, determined by its industry. Once identified, the Investment Manager analyses the significance of the exposure and progress made by management in mitigation and improvement. This analysis incorporates both third party sources as well as the Investment Manager's own data. The investment manager will use climate, other environmental and social indicators to the extent that relevant data is available, alongside an assessment of management remuneration and incentivisation, carbon intensity and carbon transition risk, and governance factors.

The Investment Manager undertakes engagement activities, where relevant, to encourage investee companies to improve aspects of some or all of their environmental, social or governance practices. All engagements are recorded and tracked in within a proprietary database.

### **(g) Methodologies**

As outlined in the Responsible Investment Policy at (<https://www.guinnessgi.com/about-us/responsible-investment#tab-literature>), Guinness utilise a variety of tools to assess, measure and monitor the impact of the environmental and social characteristics for potential investments for Article 8 funds.

The methodologies used in the Fund investment process are discussed in the Fund's "Approach to Responsible Investment and ESG" document available at (<https://www.guinnessgi.com/funds/guinness-china-a-share-fund#tab-literature>).

## **(h) Data sources and processing**

### **Sources of Data**

Guinness uses a combination of internal and external sources, including, but not limited to third-party ESG vendors and research providers; company management reports and presentations; news and media sources; and in-house company valuation models and analysis.

### **Assessing data quality**

Guinness assesses the quality of all internal and external data on an ongoing basis. Once an external service provider has been chosen, annual (two way) due diligence is conducted to ensure the Investment Manager remains satisfied with the original assessment. For data providers, the quality of service received is reviewed by the Chief Investment Officer in cooperation with the investment team. The quality of data received is also monitored day-to-day by the Investment Manager during their incorporation of ESG factors into the investment process.

### **How data is processed**

Some third-party data might be applied consistently (for example during an initial equity screening process) while other data might be used on an ad hoc basis (for example in qualitative ESG reviews). Data is collected and processed in house among the investment team for internal analysis and reporting purposes.

### **Proportion of estimated data**

The proportion of estimated data varies according to the availability of data. Data quality is considered on an ongoing basis and the Investment Manager does not take third-party data at face value. Data transparency and quality is a component of engagement activity with companies and third-party data providers.

## **(i) Limitations to methodologies and data**

Data obtained from third party providers or issuers may be incomplete, inaccurate, or unavailable. As a result, the Investment Manager is faced with the risk of incompletely or incorrectly assessing a company.

To improve this, where possible the Investment Manager may engage with organisations to overcome the issues of inconsistent data. Investee companies are encouraged to measure and disclose required data in order to prevent third party providers publishing potentially incorrect estimates. Furthermore, for available data the Investment Manager may cross-reference data to ensure a level of data consensus.

Research is predominately conducted in-house, and the use of third-party data resources is utilised to compliment this research process.

## **(j) Due diligence**

The Guinness Responsible Investment Policy (available at <https://www.guinnessgi.com/about-us/responsible-investment#tab-literature>) outlines the predominant due diligence process for investments in Guinness equity funds with regards to ESG factors. The ESG investment process resides with individual investment teams and is supported across teams by a Responsible Investment analyst. The process is overseen by the Responsible Investment Committee which is chaired by the Guinness CEO and includes all portfolio managers. The Responsible Investment Committee meets quarterly and has the objective of developing, performing, and monitoring ESG incorporation and stewardship activities within Guinness Global Investors.

## **(k) Engagement policies**

A range of engagement activities with investee companies is conducted on behalf of our clients. Guinness have developed an in-house proprietary tool to record and monitor engagement dialogues with companies (measuring achievements through a milestone timeline) and to report internally and externally. In some cases, engagements with companies are made in collaboration with other investors.

The Investment Manager votes proxies on behalf of investors. The Guinness Proxy Voting Policy (available at <https://www.guinnessgi.com/about-us/responsible-investment#tab-literature>) provides guidance to investment managers when executing voting. Glass Lewis is utilised as a proxy adviser, but the final voting decision is made by the investment manager.

**(l) 'Designated reference benchmark'**

No specific index is designated as a reference benchmark to determine if the Fund is aligned with the environmental and social characteristics that it promotes within the meaning of Article 8 of SFDR.

## 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.

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