SUSTAINABLE ENERGY FUND
APPROACH TO RESPONSIBLE INVESTMENT & ESG

GUINNESS GLOBAL INVESTORS

September 2022

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POSITIVELY DIFFERENT

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

This is a marketing communication. Please refer to the prospectus and KIID for the Fund, which contain detailed information on the Fund's characteristics and objectives, before making any final investment decisions

INTRODUCTION TO RESPONSIBLE INVESTING & ESG

DEFINING RESPONSIBLE INVESTMENT

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

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<tr><td>Explicitly and systematically including ESG issues in investment analysis and decisions, to better manage risks and improvereturns.</td><td>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.</td><td>Seeking to combine attractive risk-return profiles with an intention to contribute to a specific environmental or social outcome. Includes impact investing.</td><td>Discussing ESG issues with companies to improve their handling, including disclosure, of such issues. Can be done individually, or in collaboration with other investors.</td><td>Formally expressing approval or disapproval through voting on resolutions and proposing shareholder resolutions on specific ESG issues.</td></tr>
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Aspects of each of these RI components are included in the Guinness Sustainable Energy Fund investment process that are described on page 6.

DEFINING ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

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

- Environmental: concerns are growing and forcing regulators to take notice and take action. For example, the impact of BP's Deepwater Horizon explosion and oil spill on the Gulf Coast reportedly cost the company around $62 billion. More recently, the diesel emissions scandal is set to reportedly cost Volkswagen upwards of $46 billion in the US alone. Negative environmental factors can clearly be detrimental to the financial results of investee companies.
- Similarly, the Social: impact of a company's behaviour is increasingly being felt on the bottom line. Recently, for example, there have been allegations of human rights abuses from China's Uyghur Muslims in the Xinjiang province, including at major solar companies. The United States and other governments have become increasingly vocal about forced labour in the Xinjiang province, including the imposition of sanctions on some corporations that operate in the region.
- Governance: is a critical aspect of the analysis of any company. The effectiveness of a board and executive management team in setting the strategic direction and the culture of the organisation are crucial to a firm's future success. For example, Ørsted has demonstrated climate leadership through its early adoption of green technologies, transforming itself from one of the most coal-intensive energy companies in Europe to the number-one offshore wind farm operator globally.

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

OUR INVESTMENT PHILOSOPHY AND PROCESS

The Guinness Sustainable Energy Fund is a thematic equity fund investing in companies engaged in the generation and storage of sustainable energy and the electrification and efficiency of energy demand. We have created a universe of around 250 companies with over $500m market capitalization that operate within this value chain, and we select the best companies to populate our 30-position, equally weighted portfolio. Our investment universe spans several GICS sectors, and the Fund's benchmark is the MSCI World Index (net return).

Since its inception in 2007, the Guinness Sustainable Energy Strategy has been run with a consistent investment philosophy, combining value-biased investment analysis with a long-term investment horizon.

We believe that active investment management, when coupled with the discipline and intellectual integrity of a good, rigorous investment process, will deliver superior performance for investors.

We believe that inefficiencies exist in all markets as a result of:

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

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

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

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

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

- **Understanding the key macro drivers** of sustainable energy markets requires us to form a view on the winners and losers in the energy transition. For example, we must understand the environmental, social and political drivers behind renewable power generation taking market share from fossil fuel power sources as carbon costs increase.
- Our **intelligent screening of a large group of relevant equities** includes ESG scoring to identify poorer performers.
- **Understanding what we own** involves discussion with investee companies around ESG concerns, whilst our company modelling and qualitative ESG reviews capture any quantifiable effects of ESG factors.

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

ESG INCORPORATION

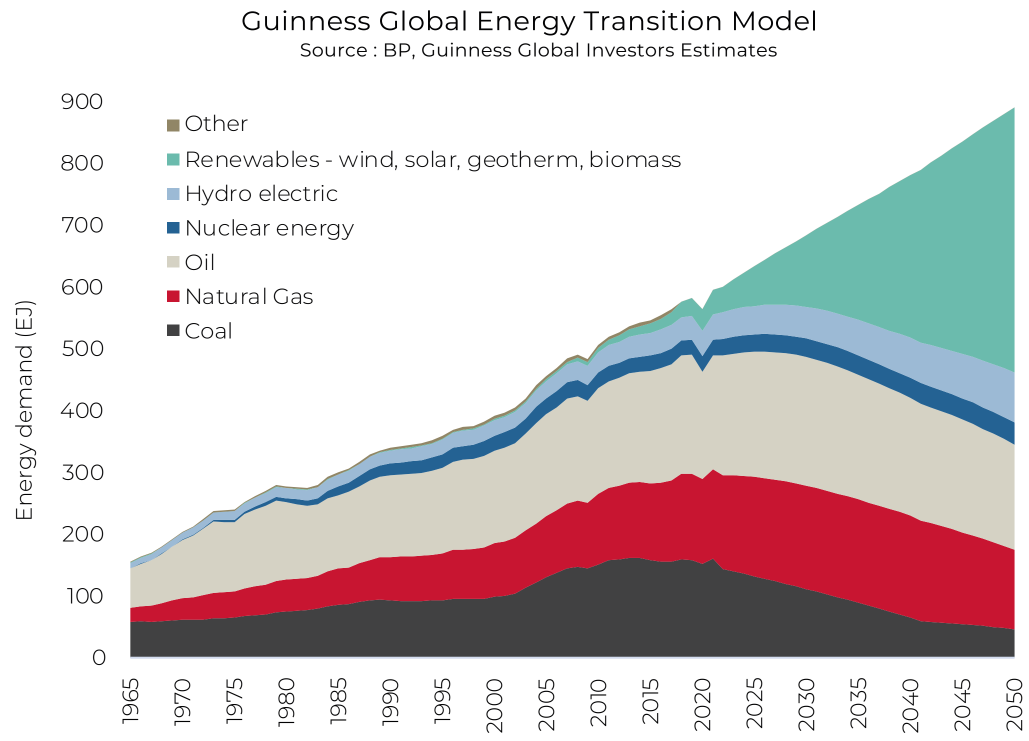
The first approach to ESG Incorporation, according to the UN PRI, is the integration of ESG factors. The PRI defines this as "explicitly and systematically including ESG issues in investment analysis and decisions, to better manage risks and improve returns." As long-term investors seeking to identify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

We believe ESG factors impact both the 'top-down' and 'bottom-up' parts of our investment process for the Fund:

INTEGRATING ESG FACTORS IN OUR TOP-DOWN ANALYSIS

We think of top-down ESG as the various short and long-term trends associated with the global energy transition. Which sustainable energy technologies will have their adoption accelerated owing to their positive environmental credentials? Which technologies will struggle to gain the appropriate social licence to expand?

Here we lean on over 20 years of energy investing experience and our in-house global energy transition model which analyses how the world likely moves away from hydrocarbon-based fuels in the coming 30 years. Top-down ESG factors at play in the model include issues such as government incentives and subsidies, urban pollution, energy security, and carbon taxation. Many of these will be as important as economic factors – i.e., the falling costs of sustainable energy technologies – in determining the outcome.



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

INTEGRATING ESG FACTORS IN OUR BOTTOM UP ANALYSIS

We screen a universe of around 250 sustainable energy equities and maintain detailed valuation models on around 50 of them. This allows us to flex various operating and financial assumptions to account for the effect of ESG issues and to assess their impact on valuation. Examples include:

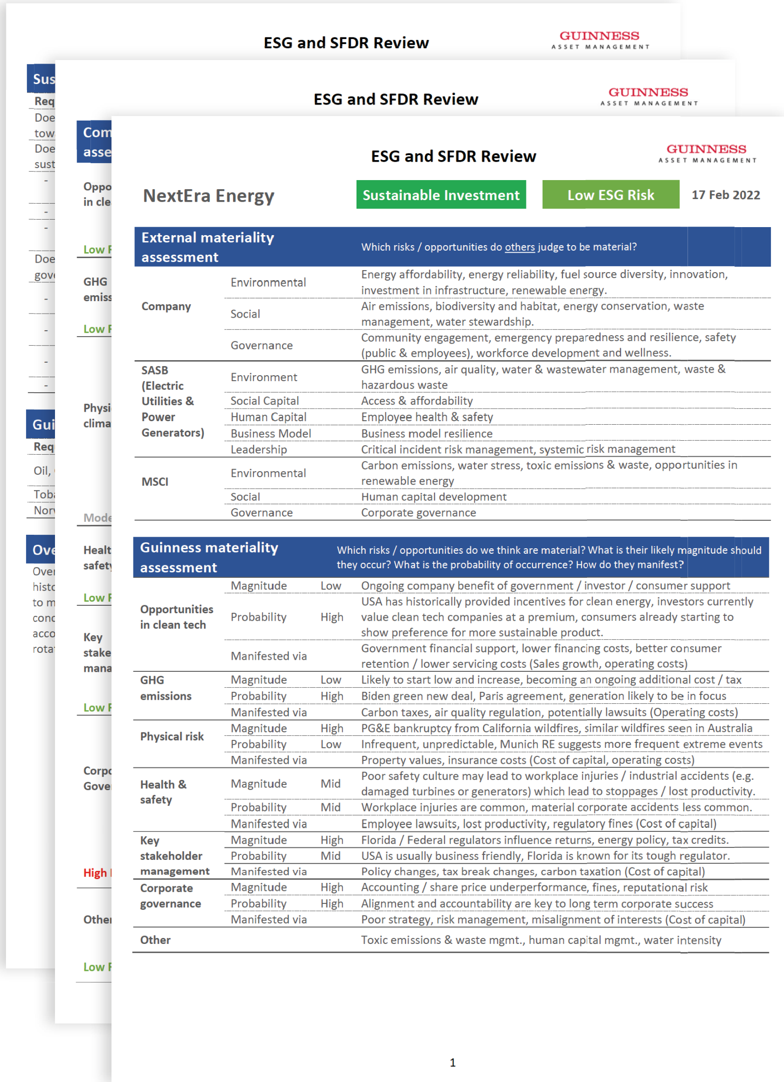
- Flexing the cost of capital in our DCF models (for example to allow for geopolitical, social and governance risk around emerging market companies)
- Flexing our target multiples (potentially using higher multiples for better 'quality' companies, including those that have better ESG characteristics)
- Operating cost sensitivity to allow for higher credits (or costs) associated with energy saving or de-carbonising activities (or carbon emissions for the very small number of companies that have carbon-emitting operations).

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

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

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



ESG and SFDR Review

GUINNESS ASSET MANAGEMENT

NextEra Energy | Sustainable Investment | Low ESG Risk | 17 Feb 2022

External materiality assessment		Which risks / opportunities do others judge to be material?
Company	Environmental	Energy affordability, energy reliability, fuel source diversity, innovation, investment in infrastructure, renewable energy.
	Social	Air emissions, biodiversity and habitat, energy conservation, waste management, water stewardship.
	Governance	Community engagement, emergency preparedness and resilience, safety (public & employees), workforce development and wellness.
SASB (Electric Utilities & Power Generators)	Environment	GHG emissions, air quality, water & wastewater management, waste & hazardous waste
	Social Capital	Access & affordability
	Human Capital	Employee health & safety
	Business Model	Business model resilience
	Leadership	Critical incident risk management, systemic risk management
MSCI	Environmental	Carbon emissions, water stress, toxic emissions & waste, opportunities in renewable energy
	Social	Human capital development
	Governance	Corporate governance

Guinness materiality assessment			Which risks / opportunities do we think are material? What is their likely magnitude should they occur? What is the probability of occurrence? How do they manifest?
Opportunities in clean tech	Magnitude	Low	Ongoing company benefit of government / investor / consumer support
	Probability	High	USA has historically provided incentives for clean energy, investors currently value clean tech companies at a premium, consumers already starting to show preference for more sustainable product.
	Manifested via		Government financial support, lower financing costs, better consumer retention / lower servicing costs (Sales growth, operating costs)
GHG emissions	Magnitude	Low	Likely to start low and increase, becoming an ongoing additional cost / tax
	Probability	High	Biden green new deal, Paris agreement, generation likely to be in focus
	Manifested via		Carbon taxes, air quality regulation, potentially lawsuits (Operating costs)
Physical risk	Magnitude	High	PG&E bankruptcy from California wildfires, similar wildfires seen in Australia
	Probability	Low	Infrequent, unpredictable, Munich RE suggests more frequent extreme events
	Manifested via		Property values, insurance costs (Cost of capital, operating costs)
Health & safety	Magnitude	Mid	Poor safety culture may lead to workplace injuries / industrial accidents (e.g. damaged turbines or generators) which lead to stoppages / lost productivity.
	Probability	Mid	Workplace injuries are common, material corporate accidents less common.
	Manifested via		Employee lawsuits, lost productivity, regulatory fines (Cost of capital)
Key stakeholder management	Magnitude	High	Florida / Federal regulators influence returns, energy policy, tax credits.
	Probability	Mid	USA is usually business friendly, Florida is known for its tough regulator.
	Manifested via		Policy changes, tax break changes, carbon taxation (Cost of capital)
Corporate governance	Magnitude	High	Accounting / share price underperformance, fines, reputational risk
	Probability	High	Alignment and accountability are key to long term corporate success
	Manifested via		Poor strategy, risk management, misalignment of interests (Cost of capital)
Other			Toxic emissions & waste mgmt., human capital mgmt., water intensity

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Example of Qualitative Reviews

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.

SCREENING

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

We split our screening approaches for this strategy into positive screening and negative screening, as described below.

POSITIVE SCREENING

The Guinness Sustainable Energy Fund is focused on the transition to a low-carbon economy, and in our universe construction we positively screen for companies that have around half or more of their business activity (e.g. revenues, profits or cashflows) exposed to sustainable energy. The 50% threshold is a soft threshold and is applied by the investment team on a best-efforts basis. The team may also consider companies that do not currently achieve the 50% threshold but which are growing rapidly in the low-carbon transition theme. This should mean that the biggest driver of growth and of future equity value for all of the companies we own should come from sustainable energy.

The Fund is not screened for "carbon-free" companies and therefore it is not a "carbon-free" fund. Indeed, we believe that it is inaccurate to designate any fund as "carbon-free" since every company has a carbon footprint from either its Scope 1, 2 or 3 emissions. Furthermore, we are content to own companies that may have some legacy carbon emissions, as long as we are confident that they are embracing the shift away from hydrocarbons. We engage with such companies to ensure that they are aware of climate risks and are positioning their businesses for the transition to a lower-carbon world.

NEGATIVE SCREENING

The Guinness Sustainable Energy Fund exclusion policy focuses on the following activities:

Controversial weapons

There are two major international conventions that specifically address cluster munitions and landmines:

- The Convention on Cluster Munitions (2008): This Convention restricts the manufacture, use, and stockpiling of cluster munitions and the components of these weapons.
- The Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (1997): This Convention aims to eliminate anti-personnel landmines around the world.

Consistent with the aims of these two Conventions, the Fund excludes active investments in companies that have been identified, by credible third parties, as being directly involved in the design, manufacture or sale of such weapons.

Extraction of fossil fuels

The Fund excludes companies engaged in the extraction of oil, natural gas and coal.

Coal

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

Other

The Fund also adheres to the exclusion list of companies prepared by Norges Bank which is guided by internationally recognised principles, including the UN Global Compact. The Norges Bank exclusion list is based on recommendations from the Norwegian Council on Ethics (appointed by the Norwegian Ministry of Finance). Companies might be placed on the list as a result of serious violations of norms including serious or systematic human rights violations such as murder, torture, deprivation of liberty, forced labour and the worst forms of child labour, severe environmental damage, gross corruption, or other particularly serious violations of fundamental ethical norms.

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

THEMATIC INVESTING

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

By delivering concentrated exposure to companies playing a key role in global decarbonisation, the Guinness Sustainable Energy Fund seeks capital appreciation whilst aligning its investments with this positive impact.

The Fund intentionally 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, we believe that the Fund's success is closely aligned with this positive environmental impact.

Each year, the investment team estimates the positive decarbonisation impact of the climate solutions sold by our companies by measuring the gross carbon emission savings from their activities. This data is aggregated to provide a portfolio-level estimate for total carbon emissions displaced. Please note that the estimate for carbon displaced illustrated in our Impact Report is not equivalent to a carbon offset to Guinness nor to our clients.

We also map our portfolio each year to the UN's 17 Sustainable Development Goals and specific underlying targets to help us and investors understand the breadth of impact the portfolio is having.

Please refer to our Impact Report here for more details.

STEWARDSHIP - ENGAGEMENT

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

THE GUINNESS ENGAGEMENT FRAMEWORK

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

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

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

We report on our engagement activity in our Impact Report available here.

COLLABORATIVE ENGAGEMENT

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

STEWARDSHIP - PROXY VOTING

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

POLICIES & PROCEDURES

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

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

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

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

ASSOCIATIONS

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

The Investment Association (IA) has over 200 full members managing over £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 the Compliance Discussion Group, which provides an informal discussion to share issues, concerns, and solutions within the compliance function. The effect of our membership is to promote the good functioning of the investment market in the UK through these initiatives to the benefit of investors and the economy.

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

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.

CFA UK's mission is to build a better investment profession by serving the public interest by educating investment professionals, by promoting and enforcing ethical and professional standards and by explaining what is happening in the profession to regulators, policymakers, and the media. A member of staff at Guinness is part of the leadership team of the CFA UK Impact Investing Special Interest 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 practices and client outcomes. Videos, podcasts, questions, answers, panel discussions all enable members to connect, share and engage.

IMPORTANT INFORMATION