December 2021

Disclosure of additional information of SFC authorised funds – ESG funds

Additional information of the ESG funds including Stewart Investors Asia Pacific Leaders Sustainability Fund, Stewart Investors Asia Pacific Sustainability Fund, Stewart Investors Global Emerging Markets Sustainability Fund and Stewart Investors Worldwide Leaders Sustainability Fund (the "Fund") as below:

How the ESG focus is measured and monitored throughout the lifecycle of the ESG fund and the related internal or external control mechanisms

The contribution of the Fund's investments to the environmental and social objectives of the Fund are assessed by reference to two framework indicators:

- Project Drawdown's table of climate change solutions. Project Drawdown is a non-profit organisation founded in 2014 which has mapped, measured and modelled over 80 different solutions to global warming, with the ultimate goal of reaching drawdown – i.e. the point in the future when emissions stop increasing and start to steadily decrease. Each Fund investment is mapped against the c.80 solutions. The manager's focus is on whether the companies themselves are making a meaningful contribution and will have meaningful involvement with the delivery of those solutions. Companies in which the Fund invests are involved in making products and delivering services directly or indirectly relating to Buildings, Circular economy/industry, Conservation/restoration, Energy, Food System, Human Development, Transport and Water.
- The manager's human development pillars. The manager has determined 10 broad pillars which they believe encapsulate the essence of human development and which can be mapped to companies. Each investee companies must be contributing in a tangible way to at least one of the following pillars:

- Nutrition
- Healthcare and hygiene
- Water and sanitation
- Education
- Information
- Energy
- Employment
- Financial
- Housing
- Standard of living

Before making investments, detailed company reports are written and the template includes an assessment of sustainability positioning.

The manager assesses companies based on an analysis of the following factors:

- How does the product/service contribute to sustainable development?
- How is sustainability built into the culture, strategy and leadership within the organisation?
- How well positioned is the company for future sustainability headwinds and tailwinds?
- Are their environmental footprints heading in the right direction, e.g. carbon footprint, waste, water usage etc.?
- Which UN Sustainable Development Goals (SDGs) does the company contribute to?
- Which (if any) Project Ddrawdown solutions does the company contribute to?
- Which human development pillars does the company contribute to?
- An assessment of the sustainability reporting.

The manager makes the assessment with reference to external frameworks such as Project Drawdown, their own Human Development Pillars inspired by the UN Human Development Index (HDI), Access to Medicines Index, UN Sustainable Development Goals (SDGs) and the Global Footprint Network among others, to help validate their internal assessment. External frameworks are selected based on relevance for the company and the credibility. All companies are assessed against Project Drawdown Solutions, the SDGs and Human Development Pillars at a minimum.

What methodologies are adopted to measure the ESG focus and the fund's attainment of the ESG focus

The Funds only invest in companies that are sustainable investments which contribute to an environmental or social objective.

The hallmarks of the investment strategy are an exclusive focus on companies that contribute to and benefit from sustainable development; a research-driven, fundamental, bottom-up approach to the selection and ongoing analysis of investments; a focus on the quality and sustainability attributes of every company; a focus on company stewardship and sound governance; a long-term investment horizon; and a commitment to engagement in order to address sustainability concerns and issues.

The process for selecting and making sustainable investments is oriented towards the sustainable investment objective in the following ways:

- Idea generation is focused only on companies whose products and services help solve difficult problems, meet critical needs, and contribute to a more sustainable future.
- Company research is bottom-up and makes use of all available qualitative information and quantitative data to assess and form a judgement on the quality attributes, sustainability positioning, and context in which each company operates.
- Portfolio construction follows a bottom-up process and is done without reference to a sustainability benchmark or any other form of benchmark index.
- Ongoing monitoring focuses on company evolution, including changes in quality and sustainability attributes, the commercial and competitive landscape, the regulatory environment, the political economy context in which the company operates, and in valuation.
- Company engagement is aimed at encouraging company management teams to address sustainability issues and other investment risks and opportunities.

Analysis of corporate governance practices, both at a boardroom level and in operational execution, is an essential part of the investment philosophy, strategy and process – from idea generation and research through to position sizing and engagement. The analysis focuses on whether company culture, ownership and incentives combine to create a governance approach which balances the interests of all stakeholders – labour, the environment, suppliers, local communities, customers and shareholders.

Important areas of focus are the independence and diversity of Board directors, remuneration structures, staff turnover rates, management longevity, supplier terms like accounts payable days, capital allocation policies and practices, tax policies and practices, and whether companies behave in ways that are more than adequate for them to retain their social license to operate.

Alongside desk research, conversations and meetings take place with company owners, leaders and independent directors in order to build conviction in investee companies' governance practices.

Bespoke and independent research is commissioned on sustainability topics – ranging from hazardous chemicals in paint production to conflict minerals in electronics supply chains – in order to understand how companies are living up to their social and environmental responsibilities.

Analysis performed by third-party data providers is used to assess and monitor whether investee companies comply with standards around governance best practice, global norms and controversies, and to gauge whether companies meet expectations in relation to governance.

How the due diligence is carried out in respect of the ESG-related attributes of the fund's underlying assets

The manager meets and liaises with companies on an on-going basis and is continuously assessing their sustainability credentials and quality. Where the manager has identified changes to company quality or sustainability positioning through either meetings, ongoing monitoring and reviewing their annual reports, the team will re-evaluate the investment case.

The manager's research is also supported by third-party research. They commission research from a range of external providers, from investment banks to NGOs and independent consultants that enhance the investment decision making over time. The research tender process helps the manager gain a deeper understanding of sustainability opportunities and risks.

In addition, fund portfolios are assessed on an ongoing basis by external providers including controversy monitoring, product involvement, carbon footprints, breaches of social norms and other impact measures. In addition, the manager uses a selection of specialist advisors who assist with proxy voting advice, although ultimately the team makes all proxy voting decisions based on the merits of the resolution and the understanding of the company.

Description of the engagement (including the proxy voting) policies

The manager believes that engagement and voting are key responsibilities for them as long-term shareholders. Engagement is a means to mitigate business risks, protect against potential headwinds and improve sustainability outcomes.

The manager's engagement activity is prioritised from a bottom-up perspective by the investment team. The way each company responds to engagement is integrated into the manager's conviction level in the company.

Engagements are on issues such as biodiversity and climate change, aligned remuneration and incentives and diversity, equity and inclusion.

The manager considers each proxy vote individually and on its own merits in the context of their knowledge about that particular company. This process is not outsourced to an external provider or separate proxy voting / engagement team. The manager uses proxy voting as an extension of their engagement activities and are guided by the principle that, where possible, voting should be used to improve sustainability outcomes.

The manager prefers to engage with companies directly to encourage improvements but the manager will vote against management to influence companies to improve E, S and G issues, particularly when engagement has been unproductive. A contrary vote is an important part of the engagement process. The manager aims to explain their rationale for voting against management before voting and will continue to engage following the vote if appropriate.

Quarterly voting records per strategy are available to clients and additional company voting records are available online.

What are the sources and processing of ESG data or a description of any assumptions made where relevant data is not available

The manager's focus is on bottom-up, qualitative ESG analysis of multiple sustainable challenges in order to understand the sustainability positioning of each company held in the Fund portfolios. The manager makes little use of standardised and single issue ESG metrics and data as they don't believe they provide a comprehensive understanding of how companies operate and deal with the complexities and interconnections of sustainability. The manager investigates and make judgements about ESG considerations mainly by:

1. Analysing publicly available company information
2. Commissioning bespoke and independent research by specialists who have deep knowledge of specific ESG and sustainability issues – ranging from hazardous chemicals in paint production to conflict minerals in electronics supply chains.
3. Meeting the management of companies to understand the attitude, commitment and approach of key decision makers to addressing sustainability risks, challenges and opportunities.
4. Mapping and analysing companies to credible external frameworks to test and validate our own bottom-up research.

Analysis performed by third-party data providers is used to assess and monitor whether investee companies comply with standards around governance best practice, global norms and controversies, and to gauge whether companies meet expectations in relation to governance.