# RESPONSIBLE INVESTING POLICY

SEILERN
Investment Management Ltd.

# Contents

# 1. Introduction

## 1.1. The Policy

Seilern International Funds PLC (SIF or the 'Funds') is authorised and regulated by the Central Bank of Ireland ('CBI'). SIF is a UCITS fund domiciled in Ireland and is required to comply with applicable CBI rules and EU regulations that directly apply to all EU member states. This includes disclosures on all sustainable investment activities on all the sub-funds under Articles 3(1), 4(1), 5(1) and 10 of Regulation (EU) 2019/2088 (the Sustainable Finance Disclosure Regulation ('SFDR')). At present there is no single firm-wide policy for consideration of sustainability risk in investment decision-making; rather the Responsible Investing Policy (the 'Policy') is applied at the investment team level and details how the investment team manage the Funds considering sustainability risks in its investment decision making processes. SIF has appointed Seilern Investment Management Limited (SIM) as the investment manager to the Funds.

The highest priority to SIM is the preservation and enhancement of client capital. In order to achieve this, SIM believes that it is critical that as the investment manager it must be a responsible steward of that capital. This Policy aims to establish what responsible investing means for the Funds and how it relates to SIM's values, investment philosophy and investment process. RI means investing in businesses with the mindset of an owner; that is to invest in a business with the long-term sustainable interests of the business at heart. The Policy explains how ESG risks, also known as sustainability risks, are integrated into the investment decision making process. Sustainability risk is the environmental, social, or governance event or condition that, if it were to occur, could potentially or cause a material negative impact on the value of the investment in question. The Policy is applicable to all the sub-funds within SIF, which are Seilern World Growth, Seilern America and Seilern Europa.

## 1.2. SFDR Disclosure

The Funds promote, among other characteristics a combination of environmental, social characteristics and governance characteristics and thus categorised as Article 8 under SFDR.

The environmental and social characteristics that are promoted by the Funds ensure the sustainability of the overall business.

- To promote environmental characteristics, we invest in companies that have strong policies relating to pollution, sustainable production and are actively working to improve their environmental footprint, reducing emissions and energy consumption, sustainable sourcing, recycling, waste treatment and usage of materials.
- In the same way, we also invest in companies that have strong policies relating to social characteristics such as the fair treatment of workers and the fair treatment of partners to the business.
- Finally, our approach to governance is to admit companies with good corporate governance practices such as strong stable management and good board diversity to the Universe.

Sustainable characteristics are initially captured through our exclusion process and continually monitored through our investment process; our Quality Growth Criteria using our 'Ten Golden Rules' research process which are explained in more detail under Section 3. By investing in businesses that deploy these characteristics, we believe that we can effectively reduce the ESG risks of our investments and deliver upon our objective of generating superior risk-adjusted returns for our investors.

## 2. Integration I – Exclusions

At Seilern, we operate an exclusion-driven investment process – we keep removing companies until we are left with the very best.

ESG exclusions are incorporated throughout each stage. At the beginning, we filter out non-OECD countries as well as several other countries within the OECD which demonstrate governmental and legal instability, leaving countries, and therefore companies, that enjoy the highest standards of governance. Our assessment of high governance standards is also based on the OECD Guidelines for Multinational Enterprises. As such, where a company falls within an OECD country but fails to meet the OECD governance standards screen, they will not progress to the next round.

Next, we apply the following sector and industry exclusions.

i. Telecommunications
ii. Automobiles
iii. Tobacco
iv. Energy (including Oil, Gas and Consumable fuels)
v. Banks
vi. Insurance
vii. Heavy Industrials (including Aerospace & Defence)
viii. Materials
ix. Metals & Mining
x. Utilities (including Electric, Gas & Water)

We also screen out companies that engage in controversial weapon production and arms manufacturers. As a result of these exclusions, our exposure to the most environmentally damaging and controversial sectors is minimised from the outset.

## 3. Integration II – Quality Growth Criteria

At SIM, we believe that over time, earnings drive share prices. As such, it is an essential component of the investment process to understand the sustainability of the earnings growth for investee companies.

At SIM, we also believe Quality Growth businesses are rare and come with a very specific set of characteristics that help them stand out from the crowd. They typically have superior business models, stable and predictable business economics and a sustainable competitive advantage. They also have strong management teams, which exhibit high integrity and whose interests are closely aligned with long-term shareholders and long-term stakeholders. This includes monitoring the environmental, social and governance impact on investee companies to evaluate whether they support conditions for sustainable growth. This is important for the health of the financial returns, but also because our clients often interact with our investee companies in other ways as consumers, employees or citizens.

Our view is that ESG risks are material to the ability of a company to grow in the long-term (risks to the sustainability of the company are risks such as the risk of reputational damage, regulatory fines due to pollution or the risk of strike action due to unsafe working conditions) and hence are directly related to the ability of the funds to achieve strong risk-adjusted returns. We conduct an initial negative screen in order to exclude these risks and incorporate ESG factors into our fundamental, bottom-up analysis.

Once a company has passed our initial negative screen, the next stage is to further refine the population of companies based on Quality Growth criteria, which we call the ‘Ten Golden Rules’. Some of these rules also take E, S and G characteristics into account. This stage creates a best-in-class screen that takes the very best companies to the next stage where they are rigorously and systematically scrutinized by the investment team before they win admission to the Seilern Universe. We believe that a company that is truly sustainable, will pass through our screens and meet our rigorous Quality Growth tests.

We assess these rules on a fundamental basis, using qualitative and quantitative tools. At their core, these rules provide the framework for the analysis which includes the factors of a business that will ensure its sustainable development. Analysts are then directed to adhere to both the 'spirit' and the 'letter' of each golden rule in order to test adherence. This is where the Ten Golden Rules dovetail with ESG in their shared goal of finding businesses that can develop in a sustainable way

For example, in order for a business to have a sustainable competitive advantage, which is one of the key elements in business sustainability, a business must adhere to local regulations surrounding air and water pollution or energy efficiency so that they can avoid the risks associated with offending such regulations. In addition, they must also advance human rights (all of our companies are registered in OECD countries which carry minimum human rights standards), foster employee engagement and promote safe working environments for their direct employees, and where applicable, promote safe working environments for employees in companies further up or further down their supply chains. This is good business practice, and businesses that practice good employee relations regularly enjoy higher employee engagement and satisfaction, which is crucial to sustainable development.

All of these ESG factors also apply to excellent management and governance, as it is the board and the executive management of each company that is responsible for setting the culture and for adhering to pollution standards, building energy efficient buildings and processes and protecting and promoting the rights of employees and other stakeholders in the business.

They also apply to consistent industry leadership and strong organic growth; if a company cannot meet these measures, it may incur the wrath of regulatory bodies, courts, employees and/or customers. As such, we believe that a company cannot be sustainable if it does not meet the Ten Golden Rules, which include ESG factors, among others.

By removing companies that score low on ESG through the screening process and by satisfying the Ten Golden Rules, including the embedded ESG factors, helps us to minimize the negative risks associated with negative ESG performance and allows us to uncover investment opportunities that we believe can generate superior risk-adjusted performance for the funds as compared to the broader market.

## 4. Integration III – Ongoing Research

Once a company passes the initial screens and exclusions listed above, it is subject to rigorous scrutiny by our investment analysts before admission into our investible universe, the Seilern Universe.

Once admitted to the Seilern Universe, each analyst reviews their companies on an ongoing basis in order to keep research up to date. This takes the form of research updates which are communicated in report form as well as deep-dive investigations at the team's regular investment meetings.

### 4.1. Indicators

SIM looks to invest in companies that can deliver sustainable earnings growth with a high degree of forecastability. Investment analysts monitor the companies on an ongoing basis and are responsible to flag any matter which poses a risk to the long-term sustainability of our investments. These include, among others, issues concerning corporate governance, matters that adversely impact their reputation, matters that could lead to regulatory fines or disproportionate behaviour towards stakeholders as well as the environment in which they operate.

The indicators used to measure the attainment of environmental characteristics promoted by the fund include any indicator that is important to our estimation of the overall sustainability of the business. These include analysing both internal (conducted by the company) and external (conducted by third parties) information such as Sustainalytics and Morningstar Where we identify that a company is not performing in the E, S or G areas, we would not invest it.

### 4.2. Engagement

A thorough understanding of our portfolio companies is the cornerstone of our investment philosophy and engaging with these companies is an essential part of this process. During the initial research process and once admitted to the universe, companies are continuously scrutinised and monitored. From an ESG perspective, the team will look to identify any possible issues that might affect the long-term sustainability of the company's earnings, such as environmental, social or corporate governance controversies that might negatively affect the company or material changes in management and stakeholder relations.

This includes reviewing annual reports and meeting with company management, on regular intervals. We aim to havecontinuous contact with the companies that we invest in and our analysts strive for, wherever possible, ongoing open communication with the management of investee companies, in order to refine their investment analysis, and will discuss an investee company's corporate governance, long-term strategy, leverage and financial statements.

As long-term owners of these companies, we have developed strong relationships with a number of management teams over a period of many years. The resulting depth of knowledge and long-term investment horizon facilitates meaningful dialogue with management teams of investee companies.

While engagement at the most senior levels of our companies is important, we also place strong value on engaging across various levels of the companies we invest. We find that we can glean essential insights by engaging with stakeholders of all levels, including vendors, clients and competitors of our investee companies. This gives our analysts a clearer picture of a company's values, corporate culture and treatment of stakeholders – intangible qualities that can factor into our overall assessment of a company.

We have binding elements of the investment strategy to ensure that any individual element which brings the overall sustainability of the business into question is investigated in greater detail. Our process for this is as follows:

- We initially assess the degree to which the breach environmental, social or governance characteristic interferes with the overall sustainability of the business.
- If it is deemed to jeopardise the overall sustainability of the business, we then engage with management on the issue.
- If management choose a course of inaction and we are determined that the issue negatively affects the overall sustainability of the business, we dispose of our position, allocating capital away from the offending company and toward companies that do promote sustainable characteristics.

## 5. Adverse Sustainability Impacts

We consider the principal adverse impacts ("PAI") of investment decisionson sustainability factors. Principal adverse impacts are defined as the most significant negative impact of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anticorruption and anti-bribery matters.

We exclude companies that have significant environmental and social risks through our exclusive search for growth process that eliminates companies that do not meet our tests for Quality Growth.
Where a company already invested in is flagged as part of our ongoing analysis as no longer performing in any of the E, S or G areas based on our internal research process and external ESG data providers, SIM will engage with the business, as detailed in section 4.2.

## 6. Governance

SIM's Board of Directors, including the firm's Head of Research, is responsible for overseeing the integration and implementation of responsible investment across the firm.

### 6.1. Conflict of Interest

SIM has produced a Conflict of Interest (COI) Policy, to address actions or transactions, which may give rise to actual or potential conflicts of interest. SIM's Board of Directors is responsible for establishing and maintaining such controls as are appropriate to its business. As part of the COI policy, employees are also required to declare any relevant interests and adhere to the firm's Personal Account Dealing and Inside Information policy as part of our transactions procedures. The COI Policy is reviewed by the Board of Directors on an annual basis. A copy of the current Conflict of Interest Policy is available on the company website.

## 7. Proxy Voting

As of 2020, SIM votes on behalf of SIF. SIM aims to vote at all shareholder meetings and engaged Institutional Shareholder Services (ISS) Proxy Exchange to facilitate this. Our starting point is that we vote with management, as agreeing with a company's strategy and approving of management are core requirements for our investments. In the event that an analyst believes a proposed motion is not in the long-term interests of investors, they will put this forward in an investment meeting, where it will be discussed by the full team. Before a vote can be cast against management's recommendation, it requires the approval of the Head of Research, the Analyst covering the company, and the directly affected Fund Managers. Before voting against management, we will seek to engage the company to share our views and discuss the relevant topics. In extreme cases, we may choose to divest our position in the company. Both the decisions and their rationaleare documented. A summary of voting records will be available to clients on request.

## 8. Resources

To gather and assess ESG information and risks, SIM leverages its in-house research, but also utilises specialised firms to expand their knowledge and understanding of ESG risks. These external partners are Sustainalytics, Morningstar Direct and ISS and they have been selected based on the quality of the information provided and scope of coverage.

These resources are available to supplement in-house research but are not the basis of automatic exclusions or investment decisions, rather they provide guidance and may provide triggers for additional research.

- **Sustainalytics** is a leader in ESG and corporate government research, rating and analysis, and highlights a company's exposure to a list of controversial product lines, such as tobacco and controversial weapons.

- **ISS** provides proxy voting information and recommendations.

- Additionally, we use **Morningstar Direct** for look-through portfolio analysis and carbon footprint reporting. These reports are available to all current and prospective investors.

## 9. Principles of Responsible Investment (PRI)

Seilern is a signatory of the Principles of Responsible Investment, effective January 2019. As such, we strive to apply the following principles and behaviours:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

SIM currently undergoes an annual reporting and assessment questionnaire to measure its progress and adherence to these principles.

## 10. External Ratings

The Funds have received the top ratings from Morningstar & MSCI for Sustainability which illustrates our commitment to promote E, S or G characteristics.

### 10.1. Morningstar Sustainability Rating

The Morningstar Sustainability Rating (1-5 globes) is a measure of how well the portfolio holdings are managing their ESG Risk relative to the portfolio's Global Category peer group. The Morningstar Historical Sustainability Score is a weighted average of the trailing 12 months of Morningstar Portfolio Sustainability Scores. Historical portfolio scores are not equal-weighted; rather, more-recent portfolios are weighted more heavily than older portfolios. Based on their Morningstar Historical Sustainability Score, funds are assigned absolute category and percent ranks within their Morningstar Global Categories. A fund's Morningstar Sustainability Rating (Globe Rating) is its normally distributed ordinal score and descriptive rank relative to the fund's global category. Higher ratings are better and indicate that a fund has, on average, more of its assets invested in companies that have lower ESG risk as characterized by Sustainalytics**.**

All three funds have also received a low carbon risk score[1] from Morningstar, and zero fossil fuel involvement[2].which illustrates the effectiveness of our investment process to reduce ESG risks, specifically in this case environmental risks.

| Fund Name | Carbon RiskScore | Category Average | Fossil Fuel Involvement | Category Average |
|---|---|---|---|---|
| Seilern World Growth* | 1.72 | 4.69 | 0 | 1.73 |
| Seilern America** | 2.27 | 4.09 | 0 | 1.20 |
| Seilern Europa*** | 2.75 | 5.21 | 0 | 2.20 |

*Source: Morningstar Direct, Carbon metrics as of Sep 30, 2021*

*Category: Global Large-Cap Growth Equity as of Sep 30, 2021 | Based on 97% of AUM | Data is based on long positions only.

**Category: US Large-Cap Growth Equity as of Sep 30, 221 | Based on 97% of AUM | Data is based on long positions only.

***Category: Europe Large-Cap Growth Equity as of Sep 30, 2021 | Based on 97% of AUM | Data is based on long positions only.

[1] The portfolio Carbon Risk Score is displayed as a number between 0 and 100 (a lower score is better). A portfolio's Carbon Risk Score is the asset-weighted sum of the carbon risk scores of its holdings, averaged over the trailing 12 months. The carbon risk of a company is Sustainalytics' evaluation of the degree to which a firm's activities and products are aligned with the transition to a low-carbon economy. The assessment includes carbon intensity, fossil fuel involvement, stranded assets exposure, mitigation strategies, and green product solutions.

[2] Fossil Fuel Involvement % is the portfolio's asset-weighted percentage exposure to fossil fuels, averaged over the trailing 12 months. Companies with fossil fuel involvement are defined as those in the following subindustries: ThermalCoal Extraction, Thermal Coal Power Generation, Oil & Gas Production, Oil & Gas Power Generation, and Oil and Gas Products and Services.

## 10.2. MSCI ESG Fund Ratings

The MSCI ESG Fund Ratings is designed to assess the resilience of a fund's aggregate holdings to long term ESG risks. Highly rated funds consist of issuers with leading or improving management of key ESG risks.