

Responsible Investment Policy

Seilern Investment Management Ltd (“SIM”) is a UK authorised and regulated investment manager. SIM has been appointed as discretionary investment manager for two EU authorised UCITS funds, namely Seilern International Fund (“SIF”) and Seilern Global Trust (“SGT”), collectively known as the (“Funds”). The Funds are required to comply with the provisions of the Sustainable Finance Disclosure Regulation (“SFDR”).

The priority to SIM is the preservation and enhancement of client capital. To achieve this, it is critical for SIM to act as a responsible steward of that capital. For SIM, responsible investment 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. This policy aims to establish how responsible investment aligns with SIM’s values and investment philosophy, and how it is integrated into the investment process.

The Funds promote, among other characteristics, a combination of Environmental, Social and Governance (“ESG”) characteristics and are classified as Article 8 under SFDR.

Only companies that fulfil the ESG criteria below are included on the list of the investable companies, the ‘Seilern Universe’:

- E - Companies with policies relating to pollution, sustainable production and active efforts to improve their environmental footprint.
- S - Companies with policies relating to social characteristics, such as the fair treatment of employees and business partners.
- G - The approach to governance includes admitting companies with exemplary corporate governance practices.

Sustainability risk is the ESG event or condition that, if it were to occur, could potentially cause a material negative impact on the value of the investment. This policy provides further details to the process of how these risks are consistently considered by the SIM in its investment decision-making process.

Sustainable characteristics are initially captured through an exclusion process and continually monitored through the investment process, utilising the ‘Ten Golden Rules’ research process, which is explained in more detail on our website in Investment Philosophy section. By investing in businesses that embody these characteristics, the Funds aim to effectively reduce sustainability risks and achieve the objective of generating superior risk-adjusted returns for investors. Admission and retention of investee companies in the Seilern Universe is a process, which includes three major steps.

Integration I (Exclusions) - To achieve the investment objectives, SIM investment team operates an exclusion-driven investment process, continually eliminating investee companies that do not fulfil the strictest criteria, including ESG criteria.

ESG exclusions are incorporated throughout each stage. Initially, non-Organisation for Economic Cooperation and Development (“OECD”) countries are filtered, leaving investee companies from countries that have a commitment to democracy, the protection of human rights and to open and transparent free markets.

At the next stage, SIM employs a screening process to exclude companies whose principal business activities are inconsistent with a Fund's objectives. In accordance with this policy, companies that are classified under any of the following Global Industry Classification Standard ("GICS") sub-industries are excluded from the Fund's investment universe:

- i. Oil & Gas Drilling,
- ii. Oil & Gas Equipment & Services
- iii. Integrated Oil & Gas
- iv. Oil & Gas Exploration & Production
- v. Oil & Gas Refining & Marketing
- vi. Oil & Gas Storage & Transportation
- vii. Coal & Consumable Fuels
- viii. Aluminium
- ix. Diversified Metals & Mining,
- x. Copper
- xi. Gold
- xii. Precious Metals & Minerals,
- xiii. Silver
- xiv. Steel
- xv. Casinos & Gaming
- xvi. Tobacco

Companies whose principal business activities are identified at the time of being added to a Fund's investment universe as being within any of the above sub-industries are deemed to be inconsistent with the Fund's commitment to sustainability and are, therefore, excluded from potential investment. SIM reserves the right to review, update, and, if necessary, revise the list of excluded sub-industries on an annual basis to reflect evolving sustainability standards and potential changes in the GICS classification.

Furthermore, companies that engage in controversial weapon production and arms manufacturers are also excluded from the list.

As a result of this exclusion process the potential exposure to environmentally damaging and controversial sectors is minimised from the outset.

Integration II (Ten Golden Rules) - One cornerstone of SIM's investment philosophy is based on the conviction that over time, earnings drive share prices. Therefore, ensuring sustainability of the earnings growth of the investee companies is an essential component of the investment strategy.

Furthermore, the investment strategy of SIM is based on belief that Quality Growth businesses are rare and come with a very specific set of characteristics that help them stand out. Such companies typically enjoy superior business models, stable and predictable business economics and possess a sustainable competitive advantage. Quality Growth businesses 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 ESG impact of investee companies to evaluate whether they support conditions for sustainable growth.

SIM is convinced that ESG risks are material to the ability of a company to grow in the long-term and hence are directly related to the ability of the Funds to achieve strong risk-adjusted returns. These include but are not limited to reputational damage, regulatory fines due to pollution or strike action due to unsafe working conditions. The initial negative screen makes sure that such risks are effectively mitigated, and the result is that ESG factors are integrated into the fundamental, bottom-up analysis conducted by SIM at the very early stage of the investment process.

Once a company has passed the initial negative screen, the next stage is to further refine the population of companies based on the 'Ten Golden Rules' in which E, S and G characteristics are taken into account. At this second refining stage, the rigorous screening of the companies, which is based on the Ten Golden Rules make sure that only the best-in-class companies make it through to the next stage before they win admission to the Seilern Universe. Only a truly sustainable company can pass through these screens and meet the rigorous tests.

The companies are assessed on a fundamental basis, by using qualitative and quantitative tools. At their core, the 'Ten Golden Rules' provide the framework for the analysis including factors that ensure the sustainable development of a business. To test investee companies' fit, the research team are required to adhere to both the 'spirit' and the 'letter' of each golden rule. This approach dovetails with ESG principles in their shared goal of identifying businesses capable of sustainable development. For example, to maintain a sustainable competitive advantage – a key element in business sustainability - a company must adhere to local regulations regarding air and water pollution or energy efficiency, thereby mitigating the risks associated with non-compliance with such regulations. Additionally, business must advance human rights (all of the investee companies in Seilern Universe are registered in OECD countries which uphold minimum human rights standards), foster employee engagement and promote safe working environments for their direct employees. Where applicable, they should promote safe working environments for employees in companies within their supply chains. This constitutes good business practice, and companies that prioritise strong employee relations typically experience higher employee engagement and satisfaction, which is crucial for sustainable development.

All of these ESG factors are also applicable to exemplary management and governance. It is the responsibility of the board and the executive management of each company to establish culture, adhere to the pollution standards, implement energy-efficient buildings and processes, and protect and promote the rights of employees and other stakeholders within the business.

These factors apply to consistent industry leadership and strong organic growth. A company failing to meet these standards may face repercussions from regulatory bodies, courts, employees and/or customers. Therefore, a company cannot be considered sustainable if it does not adhere to the 'Ten Golden Rules', which encompass ESG factors among others.

By removing companies that score low on ESG through the screening process and ensuring compliance with the 'Ten Golden Rules', including the embedded ESG factors, negative risks associated with poor ESG performance are minimised. This approach also uncovers investment opportunities with the potential to generate superior risk-adjusted performance for the Funds, compared to the broader market.

Integration III (Ongoing Research) - Once a company passes the initial screens and exclusions, it undergoes rigorous scrutiny by our investment analysts before being admitted into the investible universe, the Seilern Universe.

After admission to the Seilern Universe, each analyst conducts ongoing reviews of their assigned companies to keep research up to date. This process includes research updates communicated in report form, as well as deep-dive investigations at the team's regular investment meetings.

SIM seeks to invest in companies capable of delivering sustainable earnings growth with a high degree of forecastability. SIM monitors these companies on an ongoing basis and are responsible for flagging any issues that pose a risk to the long-term sustainability of the investments. These issues include, but are not limited to corporate governance concerns, matters adversely impacting reputation, potential regulatory fines and disproportionate behaviour towards stakeholders, and environmental considerations.

The indicators used to measure the attainment of environmental and social characteristics promoted by the Fund include any metrics deemed important for estimating the overall sustainability of the business. This analysis encompasses both internal information (conducted by the company) and external information (conducted by third parties). If it is identified that a company is underperforming in the E, S or G areas, analysis will be conducted on the impact to the overall sustainability of the business before possible engagement, if applicable.

Engagement - A thorough understanding of investee companies is the cornerstone of the investment process and therefore engagement with these companies, where possible, is a key component. During the initial research process and after admission to the investment universe, companies are continuously scrutinised and monitored. From an ESG perspective, the team aims to identify any potential issues that might affect the long-term sustainability of the company's earnings, such as environmental, social or corporate governance controversies, as well as material changes in management and stakeholder relations.

This monitoring process includes reviewing annual reports and meeting with the company management, where possible, at regular intervals. Continuous contact with the companies in which investments are made is a priority. Analysts strive for ongoing open communication with the management of investee companies, where possible, to refine their investment analysis. Discussions with an investee company's management may cover corporate governance, long-term strategy, leverage and financial statements.

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

While engagement at the most senior levels is important, significant value is also placed on engaging across various levels within the investee companies. Essential insights are often gleaned by engaging with stakeholders of all levels, including vendors, clients, and competitors of our investee companies. This approach provides analysts a clearer picture of a company's values, corporate culture and treatment of stakeholders – intangible qualities that contribute to the overall assessment of a company.

There are binding elements of the investment strategy to ensure that any factor calling into question the overall sustainability of the business is investigated in greater detail. The process is as follows:

- The initial assessment determines the extent to which the breach ESG characteristic interferes with the overall sustainability of the business.
- If the breach is deemed to jeopardise the business's overall sustainability, engagement where possible with management on the issue follows.
- If management chooses for inaction and it is determined that the issue negatively affects the overall sustainability of the business, the position in the offending company is disposed of, reallocating capital accordingly.

Proxy Voting - SIM votes on behalf the Funds with the aim to vote, where practicable, at all shareholder meetings. SIM draws upon both internal research and voting guidance produced by external proxy voting specialist firms before independently voting. SIM believes that the investee companies management generally know best how to run the business. As such, SIM will normally vote with management recommendations unless a proposal might jeopardise the long-term sustainability of the business. In such cases SIM will assess the potential impact to the sustainability of the business and may liaise with company management to share SIM perspective then make its decision on the grounds of the investment philosophy.

Principal Adverse Sustainability Impacts - These 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 issues.

These investment decisions on sustainability factors are carefully considered at individual Fund level. Companies with significant environmental and social risks are excluded through a rigorous search for growth process that eliminates those failing to meet the 'Ten Golden Rules'.

If a company already invested in is flagged during ongoing analysis as underperforming in any of these ESG areas, then the investment team will seek to engage with the company management.

Governance - SIM's Board of Directors, alongside the Chief Investment Officer are responsible for overseeing the integration and implementation of responsible investment process.

Conflict of interest - SIM maintains a policy together with organisational and administrative arrangements to take appropriate steps to identify, prevent or manage conflicts of interest.

Integration of sustainability risks in remuneration policy - The Seilern Universe is the primary risk mitigation tool of SIM. When constructing investment portfolios, the investment team can only pick companies that have been admitted into the Seilern Universe, which is a multi-staged approval process. For a stock to be approved into the Seilern Universe, all ten of the 'Ten Golden Rules' which incorporate ESG characteristics must be fulfilled.

As per its Remuneration Policy, SIM is committed to maintaining responsible and effective remuneration structures that promote effective risk management, and responsible business practices and do not encourage excessive risk-taking including with regards to sustainability risks which are embedded in the investment process.

Data sources and processing - To gather and assess ESG information and risks, SIM leverages its in-house research, in addition to utilising specialised firms to expand knowledge and understanding. These external partners are selected based on the quality of the information provided and scope of coverage.

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

United Nations Principles of Responsible Investment (“PRI”) - SIM is a signatory of the PRI and as such strives to apply the following principles and behaviours:

- Incorporate ESG considerations into investment analysis and decision-making process.
- Act as active owner and incorporate ESG considerations into ownership policies and practices.
- Seek appropriate disclosure of ESG data by the entities in which investments are made.
- Promote acceptance and implementation of the principles within the investment industry.
- Work together as a team to enhance effectiveness in implementing the principles.
- Report on activities and progress toward implementing the principles.

On an annual basis SIM completed reporting via the assessment questionnaire to measure its progress and adherence to these principles.

Policy Owner: Investment Team

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