TILNEY SMITH & WILLIAMSON

Sustainability Disclosures

Tilney Smith & Williamson (TS&W) has adopted the approach to sustainability-related disclosures mandated by the EU in the Sustainable Finance Disclosure Regulation (EU 2019/2088) (the Regulation). The Regulation includes provisions requiring relevant businesses to disclose to potential investors how sustainability risks are integrated into their investment processes and the due diligence performed on the principal adverse impacts (PAIs) of their investment decisions and investment advice on sustainability factors (as set out below). [1]

The Regulation defines:

- sustainability risk as an environmental, social or governance (ESG) event or condition which, if it occurs, could cause a material negative impact on the value of an investment.
- sustainability factors as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

This approach applies to the TS&W discretionary investment management and advisory businesses.

Direct Equity Investments

TS&W receives ESG data from MSCI on all securities in the MSCI ACWI and the MSCI UK IMI indices covering 31 risk factors:

Environmental: Electronic Waste, Financing Environmental Impact, Packaging Materials & Waste, Product Carbon Footprint, Raw Material Sourcing, Toxic Emissions & Waste, Water Stress, Opportunities in Clean Tech, Opportunities in Green Building, and Opportunities in Renewable Energy.

Social: Chemical Safety, Controversial Sourcing, Consumer Financial Protection, Health & Safety, Human Capital Development, Labour Management, Privacy & Data Security, Product Safety & Quality, Supply-Chain Labour Standards, Responsible Investment, Community Relations, Insuring Health & Demographic Risk, Access to Communications, Access to Finance, Access to Health Care and Opportunities in Nutrition & Health

Governance: Corporate Governance (including Ownership & Control, Board, Pay and Accounting) and Corporate Behaviour (including Business Ethics and Tax Transparency).

MSCI provides an ESG score for all securities. For monitored securities, TS&W's sector specialists, responsible for assessing monitored companies (Sector Specialists), may seek to override the MSCI ESG scores where there is a significant divergence between the MSCI score and their own assessment.

This ESG perspective is supplemented by our own fundamental research and analysis, and also that from third-party providers, to arrive at an overall qualitative assessment or security recommendation.

[1] At the time of writing, March 2021, only the Level 1 text of the Regulation has become law with some Level 2 regulations in draft. TS&W's approach to sustainability risks and sustainability factors has been guided by its interpretation of the Level 1 text and the current quality of available data. This interpretation may not accord with the final text of the Regulation when, and if, it is published in its entirety.

This analysis incorporates an assessment of the likely impact of sustainability risks on the returns of these securities. In general, where a sustainability risk occurs in respect of these securities, there may be a negative impact on its value. Sustainability risk can either represent a risk on its own, or impact and contribute significantly to other risks, such as market risks, operational risks, liquidity risks or counterparty risks.

The ESG risk factors affecting all companies within each industrial sector within the MSCI ACWI and the MSCI IMI are then assessed. The top material ESG factors, three to five in total, for each industrial sector represent the key ESG issues for Sector Specialists to consider.

TS&W assumes that the principal adverse impact on sustainability factors are equal to the top material ESG risks for each sector. This is based on our current interpretation of the Regulation and the availability and quality of ESG risk data. We will continue to adapt our policy and related disclosures as industry best practice evolves.

The PAIs per sector are reported to the Stewardship & Responsible Investment Group (SRIG) on a quarterly basis for consideration in the firm's investment process (overseen by TS&W's Investment Process Committee).

Collective Investment Schemes (collectives)

TS&W monitors a selection of funds which then can be used to construct and maintain suitable portfolios. Sector Specialists divide up the population of monitored funds into three types: Responsible/Sustainable, Green Tick and Others.

Due diligence is undertaken on each fund under the following headings:

Industry bodies: Ideally the investment firm/ company should be a signatory to the UN Principles for Responsible Investment (PRI) and/or the UK Stewardship Code, or another equivalent body.

Investment policy: A fund's investment policy should incorporate the principles of the UN PRI and/ or the UK Stewardship Code in their approach to responsible investment.

Investment process: The fund manager should be able to describe how ESG is integrated into the investment process.

ESG resource: Training should be available to all investment professionals. Additional note will be taken where there is dedicated resource and/or external ESG data providers.

Stewardship: Voting and engagement policies will ideally cover ESG issues.

Principal adverse impacts: The investment firm/ company should consider and disclose the PAIs of their investments.

Responsible/Sustainable eligible funds have specific responsible strategies/mandates in place which mean that they should not sit alongside mainstream funds on the wider collectives list. Their resulting investment universe is heavily altered or restricted compared to the conventional peer group. They consist of three categories:

Ethical: Characterised by a significant number of values-based screens, with the most common restrictions applying to armaments, gambling, alcohol, adult entertainment, fossil fuels, animal testing, nuclear, and tobacco.

Thematic: Invest solely in companies following one or more specific environmental or social theme. These funds may invest in companies which are transitioning to becoming cleaner operators, so they may include some sectors which are less desirable for investors with strict ethical criteria.

Impact: Invest in companies that have a positive and measurable impact on the environment or society; typically referenced relative to the UN Sustainable Development Goals (SDGs).

Green Tick funds can be found in the wider collective list but have stringent enough ESG integration or positive inclusion policies that mean they may be eligible for clients with an ESG mandate, but are still suitable to sit along-side mainstream funds.

Others: not all funds will have stringent enough ESG integration or positive inclusion processes in place to earn a Green Tick but will nevertheless be subject to ESG-related due diligence.

The above analysis incorporate an assessment of the likely impact of sustainability risks on the returns of these securities. In general, where a sustainability risk occurs in respect of these securities, there may be a negative impact on its value. Sustainability risk can either represent a risk on its own, or impact and contribute significantly to other risks, such as market risks, operational risks, liquidity risks or counterparty risks.

For collectives, it is more difficult and sometimes not possible to obtain their underlying investments and therefore consider the PAIs. As part of the due diligence process, Sector Specialists consider each investment firm's/company's approach to sustainability risks and factors, as well as their consideration of PAIs. As such, TS&W is not able to directly consider the PAIs of investing in collectives. However, all collectives are subject to the due diligence process and ESG-related considerations as noted above. TS&W will continue to adapt and refine its approach to considering PAIs for collectives as best practice evolves.

Other Securities

TS&W does not currently consider the sustainability risks or PAIs of government debt, corporate debt, derivatives, and structured products. TS&W will review its approach to these instruments as data quality and best practice evolve.

Legal Entities

This policy applies to the following TS&W legal entities:

- Tilney Asset Management Limited
- Tilney Asset Management Services Limited
- Tilney Discretionary Investment Management Limited
- Tilney Discretionary Portfolio Management Limited
- Tilney Investment Management
- Tilney Investment Management Services Limited
- Tilney Asset Management (Guernsey) Limited
- Smith & Williamson International Ltd
- Smith & Williamson Investment Funds plc
- Smith & Williamson Investment Management LLP
- Smith & Williamson Investment Management (Europe) Ltd
- Smith & Williamson Investment Management (Ireland) Ltd
- Smith & Williamson Investment Services Ltd
- Smith & Williamson Pensioneer Trustee Ltd

Ownership

This policy is the responsibility of SRIG and should be read in conjunction with TS&W's responsible investment policies and related disclosures.

Effective date: 10 March 2021

Capital at risk

The value of investments and the income from them can fall as well as rise and the investor may not receive back the original amount invested.