

## Premier Miton European Sustainable Leaders Fund

Review of non-financial objectives from the fund's launch on 10 May 2021 to 30 June 2021

At Premier Miton we believe in investing responsibly, actively meeting investee company management and voting intelligently at company AGMs. In addition, some funds specifically incorporate Environmental, Social and Governance (ESG) factors and sustainability into their investment policies. For these funds, we will provide additional reporting on those non-financial fund objectives. This bi-annual report details how we have met the fund's ESG and sustainable non-financial objectives.

### Definition of sustainability and use of United Nations (UN) framework of Sustainable Development Goals (SDGs)

When incorporating sustainability in our funds, at the highest level, we use the UN definition of "meeting the needs of the present without compromising the ability of future generations to meet their own needs" from the Brundtland Commission, 1987.

We are using the SDGs for reporting non-financial objectives. The SDGs are 17 goals and 169 underlying targets that were collectively defined and agreed to in 2015 as objectives for governments globally to consider when setting policy and foreign development spending, with the ambition to achieve the goals and underlying targets by 2030. The SDGs are increasingly being adopted by the investment industry and are now commonly used to assess and report on a fund's sustainable activities and outcomes. Given the universal nature of the goals and clarity of purpose in the associated targets, as well as the increasing disclosure by companies that we invest in, we believe the SDGs are currently the most appropriate framework for non-financial disclosures such as this.

More information on the SDGs can be found here:

[www.un.org/sustainabledevelopment/sustainable-development-goals/](http://www.un.org/sustainabledevelopment/sustainable-development-goals/)

## SUSTAINABLE DEVELOPMENT GOALS



## Investment policy

The Premier Miton European Sustainable Leaders Fund focuses on companies with a strong ESG profile and those that the fund managers believe offer longer term sustainable growth themes, which could include; health & well-being and affordable & clean energy, amongst others. Companies across a wide range of industrial sectors can have businesses that drive or benefit from sustainable growth themes. The fund managers will concentrate on investing in such companies in order to construct the fund’s investment portfolio. The fund managers analyse a company on a wide range of criteria including specific ESG and sustainability factors.

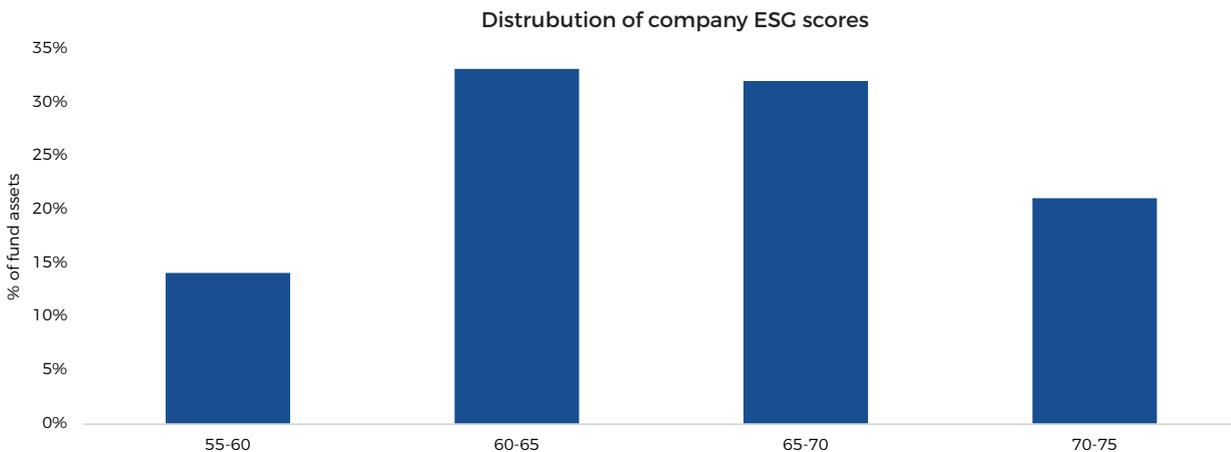
### ESG profile

The analysis of companies will include specific ESG criteria which will include;

 <p><b>Corporate governance</b></p> <ul style="list-style-type: none"> <li>Female representation on boards</li> <li>Remuneration structure</li> <li>Efficacy of auditors</li> <li>Disclosures</li> </ul>	 <p><b>Management</b></p> <ul style="list-style-type: none"> <li>Tenure</li> <li>Capability</li> <li>Clarity of strategy and policies</li> </ul>	 <p><b>Sustainability of business</b></p> <ul style="list-style-type: none"> <li>Barriers to entry</li> <li>Risks to assets</li> <li>Regulatory risk</li> <li>Innovation</li> </ul>
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The fund managers undertake this analysis and integrate data provided by our ESG data partner, Ethical Screening, which provides ESG data and research for all the companies we hold, with ESG scores ranging is 0 (worst) to 100 (best) - according to Ethical Screening ESG scoring methodology. Where a company has an ESG score below 50 we will look to engage with management to assess potential remedial action.

The ESG scores of the companies held in the fund are shown below;

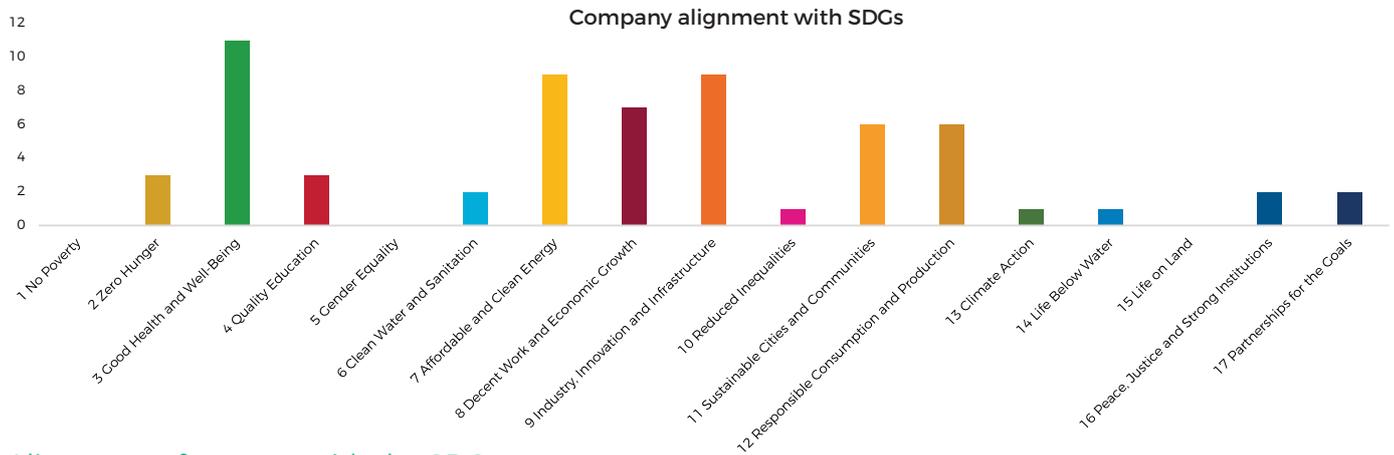


## Companies meeting the SDGs

Using the SDG framework, company reporting and engagement as well as proprietary and third party research provided by Ethical Screening, we are able to assess what proportion of the business activities of investee companies are linked to achieving the goals. As a proxy for business activity, we use the revenues generated by a company and assess what percentage of those revenues are attributable to a particular goal.

As of end of June 2021 the fund was invested in 47 companies, of which 45 companies or 94% of the assets of the fund, have business activities linked to the goals and 42 companies or 85% of the assets of the fund have a portion of their revenues aligned with the goals.

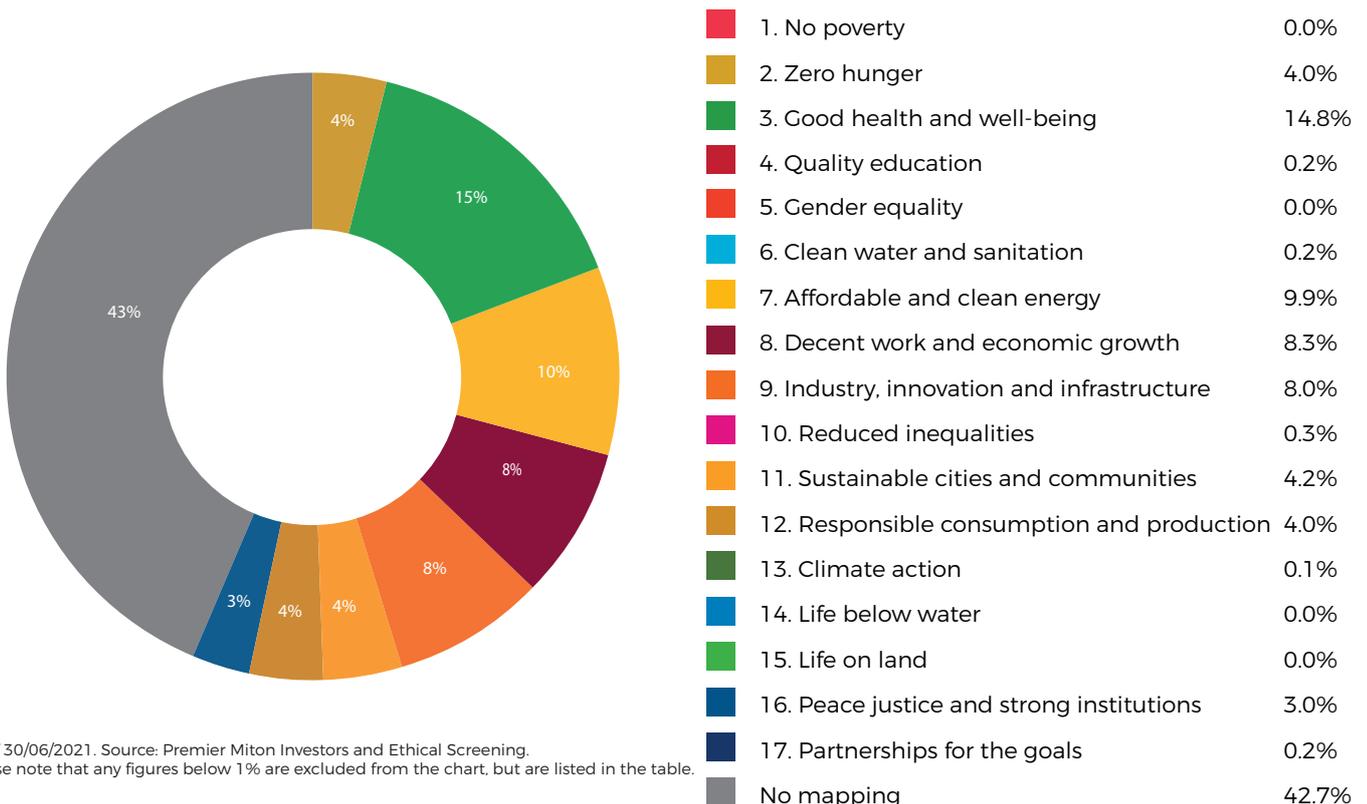
Across the fund, company activities are aligned with a range of SDGs with some companies aligning to a number of SDGs, see bar chart below.



## Alignment of revenue with the SDGs

The pie chart below shows how the revenues that meet the various goals are split across the whole fund. We estimate that 57% of all investee company revenues are directly attributable to the SDGs. For example, the largest exposure is to SDG 3, Good Health and Well-Being, with an alignment of 15% with 11 investee companies that contribute to this particular SDG. For example, Sedana Medical whose medical devices, equipment and research contribute towards the target to increase universal health coverage. The fund also has exposure to SDG 7, Clean Energy with an alignment of 10% with 9 investee companies including Siemens Gamesa whose principal activity is the manufacture, installation and maintenance of wind turbines.

It is worth noting that some of the goals are more difficult for a company to meet, for example, SDG 1, No Poverty. Additionally, SDG 17, Partnerships for the Goals, is difficult to measure, as a company is unlikely to have any business activities that directly meet this goal, although it may be involved in initiatives to meet that goal.



As of 30/06/2021. Source: Premier Miton Investors and Ethical Screening. Please note that any figures below 1% are excluded from the chart, but are listed in the table.



## Negative contributions

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The fund managers will seek to avoid investing in companies that have in excess of 10% of their revenues generated from tobacco, fossil fuels, and unsustainable agriculture; these are viewed as negative contributions to the SDGs. As of 30 June 2021, according to our analysis using available data, we did not hold any investments that had exposure in these activities.

## Banned weapons

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Our equity, fixed income and directly invested multi asset funds are excluded from investing in companies which are involved in the following banned weapons: biological, chemical, non-detectable fragments, blinding laser, anti-personnel mines and cluster munitions. We screen out these companies using analysis and data from a specialist ESG research provider, Institutional Shareholder Services (ISS).

## Carbon footprint

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Companies are increasingly reporting their carbon emissions in their annual reports, due to current or future legislative requirements. We use this data in our investment decision making in order to avoid investing in companies with the highest carbon risks. We also encourage companies that do not report on carbon emissions to begin doing so, alongside developing a strategy to reduce their carbon emissions. Where companies do not report their carbon emissions, we are able to use estimates, based on their sector, product range and location, produced by one of our third party data providers.

For each company, we calculate the percentage of that company we hold, and hence the allocation of carbon emissions to the fund. By aggregating these carbon emissions we are able to estimate the carbon emissions of the whole fund and hence calculate the footprint per £1m invested, which is a standardised, commonly used metric.

For every £1m invested in the Premier Miton European Sustainable Leaders Fund, 5.66 Mt CO<sub>2</sub>e is emitted by the fund's holdings. This data is provided by International Shareholder Services (ISS), a specialist company on company climate data.

## Stewardship activities

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We actively invest in companies and take the stewardship of these assets seriously. Where we have voting rights, we aim to use them and additionally we accept opportunities to engage with investee companies, aiming to meet with each of the company management teams every year. These stewardship activities are an integral part of our investment process and portfolio monitoring and, we believe, support the long-term returns we aim to deliver for investors.

### Engaging with management and voting at annual company meetings

We engage with company management in two main ways:

Regular meetings to understand company strategy and monitor financial performance to support investment decisions and portfolio monitoring.

- Focused meetings aimed at enhancing shareholder value.

During the 6 month period from 1 January 2021 to 30 June 2021 we had 106 meetings with 87 companies of which 22 companies were held in the fund.

- We engaged with Salmar, a fish farming company, on the sustainability of their supply chain, encouraging them to consider alternatives such as soya in their aquafeed.
- We also engaged with Brunello Cucinelli, a luxury goods company, regarding supply chain risks with their material sourcing and the origin of the cotton they use in manufacturing. We were informed that they source their cotton from Egypt and the Caribbean and their denim from Japan. They also confirmed that they have long term relationships with all their suppliers who must adhere to their Code of Ethics.

During the period since the launch of the fund to 30 June 2021, we voted at 4 company meetings, 53 votable resolutions in total, voting at 100% of all possible meetings. We were unable to vote at one meeting due to shareblocking which limits our ability to trade the that company's shares for a number of days after the meeting at which we vote. As an active investment manager that aims to invest in companies with strong management, we generally support management in these meetings. However, in just over 17% of resolutions we voted against management proposals. We did so for a variety of reasons; including director appointments, inappropriate remuneration and certain rights regarding the issue of new shares.

For all shareholder meetings, we consider the voting recommendations of ISS, in addition to our own analysis.

More information on our company stewardship activities and voting reporting on our website here:

<https://www.premiermiton.com/responsibility/>



## Female representation on company boards

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We aim to invest in companies that demonstrate leading corporate governance practices, and one guideline we consider is the percentage of women on company boards. Across the fund, the average percentage of women on boards is 32% although there are 3 companies with no women on their board.

We started an engagement programme on increasing gender diversity, specifically focusing on increasing the number of women in executive positions on the boards of companies held in the fund. We wrote to 21 of the companies and have had a responses from 6 who recognised the importance of the issue and have committed to develop a strategy, often focused on entry-level staff diversity to address the lack of gender diversity in the executive. We continue to engage and monitor our investee companies on the issue, encouraging them to adopt a proactive approach to gender diversity both on the board and more generally throughout management.

