J. Stern & Co.

ESG Investment Framework

01/01/2023

RECORD OF AMENDMENTS

This records the major changes to the ESG Investment Framework with effect from August 2020.

Amendments log:

Version	*Summary of Changes*
August 2020	Initial Version
December 2021	Update to Section 4 (Implementation & Oversight), 5 (Stewardship & Voting) and 6 (Engagement with external ESG Bodies and Collaborative Organisations).
March 2022	Update to Section 6 (Engagement with external ESG Bodies and Collaborative Organisations).
January 2023	Update to Section 2 (Framework of ESG Analysis), Section 4 (Implementation & Oversight), Section 5 (Stewardship & Voting) and Section 6 (Engagement with external ESG Bodies and Collaborative Organisations). Addition of Section 7 (Appendix - Non-Correlated Assets Investment Framework).

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1. OUR ESG PHILOSOPHY

Our investment philosophy at J Stern & Co. builds on the tradition of the Stern family and its 200-year banking heritage. The family's guiding principle is investing in quality and value, seeking long term real returns across economic and market cycles, basing investment decisions on our own in-house, independent research. Quality is the foremost requirement for the companies we invest in.

We define quality as investing in companies that have strong and sustainable competitive positions in good and growing industries, that have managements with strong track records of value creation and that have balance sheets strong enough to weather any adversity.

The companies we look for hold leadership positions in their industries and have comparative advantage or a deep and enduring moat. They also have strong governance. We look for management teams with a proven track record, engaged, independent boards and oversight structures that ensure shareholder interests are protected.

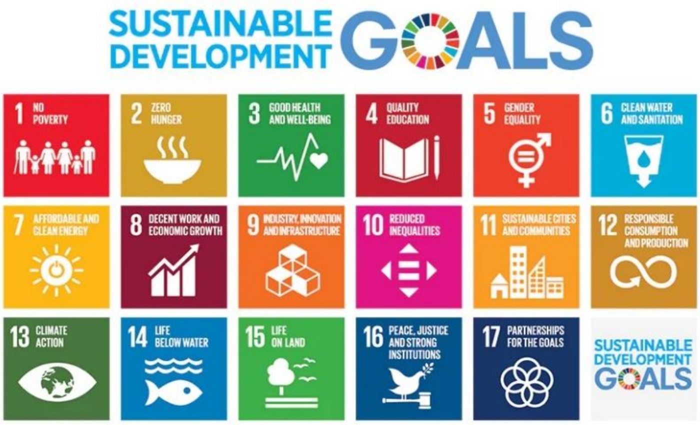
At the same time, we have always recognised that companies do not exist in a vacuum but are part of a nexus of environmental and social influences that mean that they are subject to a social licence to operate. We believe that it is critical for us to understand and incorporate this broader perspective in our analysis. Investing for the long term and across generations makes a social licence particularly important because it is founded in structural influences and regulatory and reputational risks that a more conventional financial analysis would not capture.

We believe that in order to have a sustainable competitive advantage, companies have to operate in a sustainable way. This has always been our approach but over the last few years we have seen issues of sustainability, transparency and accountability grow in importance, with the broader investment community being asked by both clients and other stakeholders to better understand what outcomes companies are delivering for broader society.

UN Sustainable Development Goals

The United Nations have worked to establish goals for global sustainable development that provide a blueprint to achieve a better and more sustainable future for all. These goals address global challenges, including poverty, inequality, climate change, environmental issues, peace and justice. They constitute agreed principles that aim to tackle global challenges and issues by 2030 and provide a roadmap for government, business and social actors to commit in delivering solutions.

As a globally agreed sustainability framework, we believe that the UN Sustainable Development Goals (UNSDG) provide the clearest framework for us to apply both to the companies we invest and to our work as investors.



The crucial questions we must answer are whether the companies we invest in are working to advance the UNSDG and what we can do as investors to assess a company's Environmental, Social & Governance (ESG) performance, understand the engagement and commitment in tackling ESG-related issues and to encourage them to address issues in a timely and determined way.

There are many industry organizations, rating agencies and other institutions that are part of an important, dynamic but disparate effort at creating and implementing criteria and frameworks for sustainable investing. We believe that the discourse about sustainable investing will increasingly focus on the UNSDG and we will be called on to answer the challenge they pose: What are companies and investors doing to achieve a better and more sustainable future for all?

UN Principles of Responsible Investing

The global investment management industry has translated this call to action into a new framework of investment analysis that not only incorporates financial metrics but also embeds ESG factors in this analysis. Since the establishment of the UN Global Compact in 2005 and the release of the Principles of Responsible Investing in 2006 (UNPRI), ESG analysis has become an integral part of the investment industry and these initiatives have built an increasing recognition that ESG issues can affect the performance of investment portfolios.

As part of this recognition the investment industry has also seen a progressive change in the way ESG is being implemented as part of the investment process. Historically ESG was applied through the utilisation of exclusion criteria, where certain sectors or companies seen as not desirable from an ESG perspective were simply excluded from the investable universe. However, increasingly it has been recognised that ESG issues affect companies across sectors and industries and require a more differentiated approach.

We believe that as global issues challenge business models across the global economy, it is necessary to progressively integrate ESG factors into fundamental financial analysis.

We are signatories of the UNPRI and strongly believe in this approach. ESG analysis and integration is about identifying and quantifying risks, engaging with companies to address and redress them, but it is also about articulating potential opportunities. In line with the UNPRI we actively look to engage with companies, other investors and stakeholders directly and through collaborative organizations and activities.

2. FRAMEWORK OF ESG ANALYSIS

An important part of our ESG analysis is to use a structured approach that is compatible with global best practice and based on an industry-leading framework. Having studied different options, we chose the Sustainability Accounting Standards Board (SASB) criteria. SASB is a non-profit organisation founded in 2011 and supported by some of the largest asset owners and managers to develop industry-specific reporting standards across environmental, social and governance topics.

SASB uses an objective, verifiable and comparable set of criteria to identify material issues for each industry which we complement with our own judgements. With this process we identify risks and opportunities and assess how effectively they are being managed by the boards of the companies in which we invest.

SASB focuses on issues that have the potential to affect corporate value, are reflective of broader stakeholder consensus, are industry specific and are actionable by companies. These issues or 'dimensions' are mapped across major industry groups in a materiality map. The issues encompass five broad areas:

- Environmental - This dimension looks at the use of non-renewable resources as inputs to the production process and at harmful externalities to air, land, and water resources. It includes issues related to greenhouse gas emissions, air quality, energy management, water and waste management as well as biodiversity impacts.

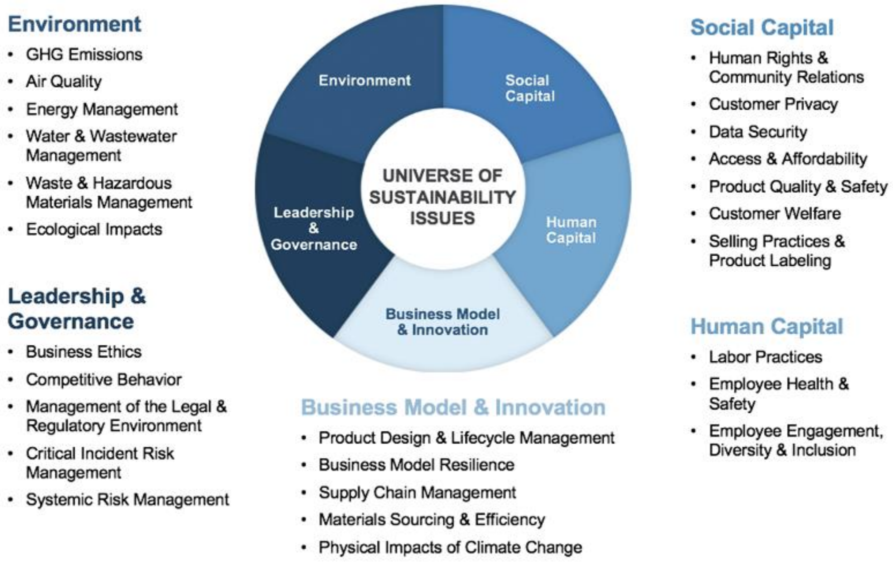
- Social Capital - This dimension relates to the expectation that a business will contribute to society in return for a social license to operate. It addresses the management of relationships with key stakeholders, such as customers, local communities and the government. It includes issues related to human rights and community relations, access and affordability, customer welfare, data security, privacy, fair disclosure and labelling, as well as fair marketing practices.

- Human Capital - This dimension addresses the management of a company's human resources as a key asset to delivering long-term value. It includes issues that affect the productivity of employees, such as diversity and inclusion, compensation and benefits, as well as recruitment and retention in industries which are highly competitive for specific talent or skills. It also addresses working conditions, the management of labour relations in industries that rely on economies of scale and in industries with legacy pension liabilities. Finally, it includes the management of health and safety for employees especially in companies that operate in dangerous working environments.

- Business Model & Innovation - This dimension addresses the impact of sustainability issues on innovation and business models. It addresses the integration of environmental, human, and social issues in a company's value-creation process, including resource recovery, product or production innovation, and efficiency and responsibility in the design, use and disposal of products.

- Leadership & Governance - This involves the management of issues that are inherent to the business model in an industry and that are in potential conflict with the interests of broader stakeholder groups, and therefore can create a potential liability, a limitation or even a removal of a license to operate. This includes regulatory compliance or political influence. It also includes systemic risk management, safety management, supply-chain management and materials sourcing, conflicts of interest, anti-competitive behaviour, corruption and bribery.

SASB Sustainability Dimensions:



In addition to this framework and to have a more specific focus on an issue we think is of great importance to us as investors, we use an additional J. Stern & Co. proprietary Corporate Governance dimension focusing on the principal-agent relationship, and how the rights of shareholders or bondholders as stakeholders are protected. As part of this analysis we look at board structure, management oversight, separation of CEO and Chairman roles, executive compensation and shareholder voting rights amongst other factors.

We believe that using the SASB materiality map as a framework for our own fundamental assessment allows us to have a consistent approach in our analysis across different industries and geographies as well as across different sustainability issues. It also allows us to refer to other third party ESG resources that follow the SASB materiality map.

The link to the materiality map can be found at the SASB website on: https://materiality.sasb.org/

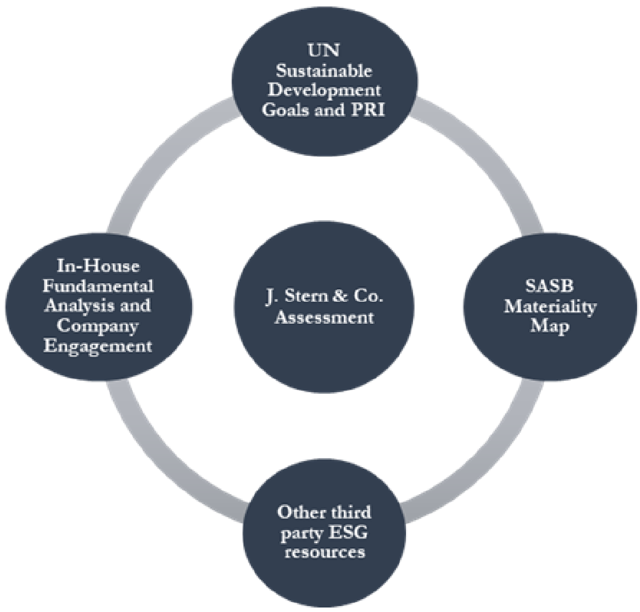
We complement this framework with a variety of additional considerations that help us build a holistic view of our investee companies' level of commitment to sustainability.

Specifically, we look at whether our companies have aligned their strategy with and are working to advance the UN's 17 Sustainable Development Goals. This is a fundamental consideration for us as outlined above.

We also look at any further public commitments our companies have made in terms of ESG and whether they have affirmed this commitment by becoming signatories to other key international initiatives. This includes the UN Global Compact and the Science-Based Targets Initiative as well as whether they have formally aligned themselves with the recommendations of the TCFD (Task-Force on Climate-Related Financial Disclosures).

In addition, we look at whether they report in compliance with global sustainability standards, including SASB, CDP, the GRI (Global Reporting Initiative) to ensure that comprehensive, transparent, and comparable non-financial disclosures are made available to different stakeholder groups.

Finally, we pay particular attention to any ESG related controversies that might have arisen in the course of doing business as well as any history of violations of global sustainability norms including the OECD Guidelines for Multinational Enterprises.



Our ESG analysis is conducted at the issuer level which ensures consistent implementation across assets. Our integration approach does not differ between asset classes or geographies. We have developed an adapted version of our ESG framework to cover our investments in third-party, credit funds including trade finance and royalty finance funds (which account for around 1% of our AUM), which is outlined in the appendix.

3. ESG ASSESSMENT OUTCOME

We look to identify the most material issues for each industry we invest in. We map material issues, analyse what each company does to manage those risks and then come to a conclusion as to whether these constitute an opportunity or a risk that can affect the company's performance and value in the short, medium and long-term.

We base our assessment primarily on our own internal analysis, leveraging our research team's breadth of experience and in-depth industry understanding whilst consulting third party ESG research where appropriate to complement our views. In doing so we focus our analysis particularly on those ESG issues that we believe are likely to have the most significant impact on the companies' operational and financial performance.

Direct engagement with company managements is a core part of this process. Having identified those ESG issues most relevant to a company's success, we raise them where appropriate with the management. As with our engagement on other strategic, operational and financial issues, this allows us to gain a better understanding of company initiatives whilst providing management with feedback where we think there is scope for improvement.

The output of our analysis is a traffic light matrix for the six overarching themes, highlighting achievements and opportunities as well as risks and areas for improvement for our holdings.

Well framed and strongly managed ESG issues	
Some gaps in ESG management, but overall well managed	
Managed ESG gaps but further action required	
Acknowledged but no ESG policies in place	
Disregard of ESG issues & significant controversies	
Not material for the industry	

We use materiality to measure the impact on the strategic, operational or financial performance of a company. The final category 'Not Material' does not imply that issues affecting a given criteria are not important to the industry, company or to the stakeholders involved; rather it means that in our assessment it is not one of the critical issues and therefore does not require further internal in-depth research.

4. IMPLEMENTATION & OVERSIGHT

Oversight of the ESG approach lies with the Investment Committee as part of its overall responsibility of outlining the firm's investment strategy. The detailed ESG process implementation is overseen by our independent ESG Committee, which is comprised of senior members of the investment team.

The ESG analysis for each company is implemented by the individual investment analyst who covers the respective stock or bond, in close collaboration with our dedicated ESG analyst. Each of our analysts covers 10-15 companies on average, with a view to the long-term, which allows them to gain an in depth understanding of their companies and sectors. ESG is fully integrated into our investment analysis. Our dedicated ESG analyst works with each investment analyst to identify material ESG issues and to analyse their potential effect on our investee companies, summarising the conclusions in a dedicated ESG report. The analysis is implemented at company level at the time of initiation of coverage. It is then formally updated on an annual basis with any material changes highlighted in the intervening period.

Upon completion of the assessment work, the ESG specific conclusions are presented to the ESG Committee. Its mandate is to oversee our work on the space, ensure uniform implementation across asset classes, industries and issuers, and to leverage expertise across asset classes.

5. STEWARDSHIP & VOTING

We believe we have a responsibility to make considered use of voting rights. The principle governing our approach to voting is to act in line with our fiduciary responsibilities in what we deem to be the interests of our clients. We normally look to support company management; however, we withhold support or oppose management if we believe that it is in the best interests of our clients to do so.

We seek to vote on all issues raised. The majority of resolutions target specific corporate governance issues which are required under local stock exchange listing requirements, including but not limited to: approval of directors, approval of annual reports and accounts, approval of incentive plans, capital increases, reorganisations and mergers. We vote on both shareholder and management resolutions.

We do our own internal work in assessing resolutions, applying our voting principles to each item. These principles include ensuring the board's diversity and independence, protecting minority shareholder rights, ensuring that executive compensation is tied to the long-term prospects of the business and shareholder value creation, upholding ESG issues and supporting capital increases only for legitimate financing reasons. Where appropriate we draw from external research but ultimately the final decision will reflect what we believe to be in the best interests of our clients.

Responsibility for assessing the merits of each individual resolution lies with the dedicated analyst covering the company. The conclusions are presented to the ESG Committee and our CIO who then reach a decision for each company's set of resolutions.

We seek to vote on behalf of all client accounts, both segregated and pooled, unless the clients have explicitly requested that we do not vote on their behalf and subject to administrative constraints, contractual obligations, local laws and regulations. We outline our voting policy and strategy to individual clients as part of our annual review with them. We have a track record of our voting participation as shareholders which we make available to clients and other external parties upon request.

Our full Stewardship and Engagement policy can be found here:

https://www.jsternco.com/wp-content/uploads/2021/04/Stewardship-Engagement-Policy-v2.clean_-1.pdf

6. ENGAGEMENT WITH EXTERNAL ESG BODIES AND COLLABORATIVE ORGANIZATIONS

We believe that we are most effective when we act alongside our peers to push through change in the industry by echoing a collective voice and commitment. Our process is consistent with emerging best practice codes, including the UNPRI, the UK Stewardship Code and the EU Shareholders Rights Directive II. We became signatories to the UNPRI in early 2020. We are signatories to the FRC's 2020 UK Stewardship Code having previously been Tier 1 signatories to the 2012 UK Stewardship Code.

UNPRI provides support to its network of investor signatories in incorporating responsible investment factors into their investment and stewardship decisions. The UK Stewardship Code aims to enhance the quality of engagement between investors and companies by setting out a number of principles of effective stewardship for institutional investors. The EU Shareholders Rights Directive II aims to promote shareholders' long-term engagement and enhance transparency around stewardship and investment strategies.

As users of the SASB Standards, we joined the SASB Alliance (now known as the IFRS Sustainability Alliance) in January 2021. Like other members of the Alliance, we share the belief that today's capital markets need standardized sustainability disclosure and effective ESG integration into investment practices, for the benefit of issuers, investors and society at large.

We also seek to actively collaborate with our peers or relevant organisations, including NGOs, to promote better sustainability outcomes. Examples, include our involvement with the Business Coalition for a Global Plastics Treaty, a coalition of over 80 organisations convened by the WWF and the Ellen MacArthur Foundation, calling for a global, UN-backed treaty on plastics as well as our work with Share Action's Long-term Investors in People's Health initiative, which seeks to lead to better outcomes for worker, consumer and community health.

7. APPENDIX: NON-CORRELATED ASSETS INVESTMENT FRAMEWORK

J. Stern & Co. invests in non-correlated assets as part of its Multi-Asset Income strategy. The primary objective of such investments is to generate income and reduce the overall volatility of the strategy given the low expected correlation to other major asset classes. Typically, non-correlated assets make up between 15-25% of the overall strategy and today represent circa 1% of the firm's AUM. We invest in these assets primarily via funds managed by external managers across a diverse investment universe. Current areas of investment include, but are not limited to, trade finance, pharma royalties, music royalties, and infrastructure funds.

As with the companies we invest in directly, we believe sustainability is an important factor for the funds we invest into. We recognise that ESG issues may impact the revenues, costs, assets, and liabilities of the underlying investments. Albeit our underlying philosophy remains the same, given we gain exposure to non-correlated assets indirectly via funds, our approach differs to the process for individual companies. The focus of our analysis is on our external managers' principles and protocols for responsible investment practices, which we assess primarily during initial manager selection and reviewed periodically. Our structured framework is developed in line with the United Nation Principles for Responsible Investing (UNPRI), to which J. Stern & Co. are signatories. In order to ensure it is in line with emerging best practice, our framework draws on the UNPRI's module for "selection, appointment, and monitoring of external managers".

Our framework includes a due diligence questionnaire sent to external managers, that has 30 questions specially covering five dimensions of responsible investment practises & policy, stewardship, sustainability outcomes, documentation, verification, as well as an additional governance dimension. The questionnaire focuses on assessing:

- Responsible Investment Practices and Policy - This dimension seeks to determine if ESG factors are incorporated in investment analysis and decisions, if there is board level oversight of ESG policy implementation, alignment to international standards and an exclusionary policy. It aims to gauge the external managers' evolving approach to ESG integration.

- Stewardship and Ownership Practices - This dimension seeks to understand the external managers' stewardship policy, engagement practices and application of stewardship through initiatives including collaborative engagement, escalation strategies and proxy voting. It aims to determine how the investment team are involved in stewardship and corporate governance.

- Sustainability Outcomes - This dimension queries how the external managers' approaches sustainability, including through tracking outcomes, setting targets and/or using levers to advance sustainability outcomes. It seeks to determine how progress is reported and if external managers contribute to advancing research or furthering the discourse on global sustainability goals. It includes two quantitative data points, weighted average carbon intensity and board gender diversity, which are material ESG indicators that are a key focus for us.

- Documentation and Disclosure on ESG Practices - This dimension asks the external managers to provide references to any documentation that has been produced in evidence of responsible investing practices, including annual reports, engagement activities and/or their code of conduct.

- Verification of ESG Practices - This dimension asks the external managers to confirm if there is monitoring and/or compliance in place and if there is an independent ESG committee.

In addition to the UNPRI framework and to have a more specific focus on an issue we think is of great importance to us as investors. We use an additional J. Stern & Co. proprietary Corporate Governance dimension focusing on the principal-agent relationship, and how the rights of shareholders as stakeholders are protected.

- Governance - This dimension asks the external managers to outline their board structure to highlight if there is board level oversight on sustainability and if remuneration is tied to ESG factors. This seeks to determine if there is alignment with governance best practices.

Once the questionnaire is completed and returned, our dedicated ESG analyst works closely alongside the investment analyst covering the fund to evaluate the results of the questionnaire. Information provided is integrated into a formal ESG report highlighting achievements and opportunities as well as risks and areas for improvement. The output of the analysis takes the form of a traffic light matrix.

Well framed and strongly managed ESG issues	
Some gaps in ESG management, but overall well managed	
Managed ESG gaps but further action required	
Acknowledged but no ESG policies in place	
Disregard of ESG issues & significant controversies	
Not material for the asset	

The ESG report and specific conclusions are presented to our ESG Committee to ensure uniform coverage across all material issues.

As with all investments made at J. Stern & Co., we undertake ESG analysis on non-correlated assets prior to investment. It is then formally updated on an annual basis with relevant material changes highlighted in the intervening period. We look to interact and engage with our external managers to improve their approach and practices to responsible investment. We believe that this process helps us to protect the value of our investments for our investors, improve our ability to continue to meet our ESG commitments and seeks to ensure we are in alignment to applicable regulatory requirements.