ADELPHI CAPITAL LLP – RESPONSIBLE INVESTMENT AND SUSTAINABILITY RISKS POLICY

Background

Since inception in 1997, Adelphi Capital's investment strategy has implicitly incorporated elements of Responsible Investment ("RI") into its process. Some examples of this include seeking strong management ethics and good corporate governance, voting on corporate actions and direct engagement with company boards.

In evaluating the sustainability of a company's business model and competitive advantage we will often consider its environmental footprint and social and human resource policies. We have always wanted our companies to act as good citizens and good employers. Furthermore, consideration of these issues can represent an important part of the potential risk of any investment.

These considerations have been formalised into a Responsible Investment and Sustainability Risks Policy, whereby we will routinely incorporate Environmental, Social and Governance ("ESG") factors into our company evaluation and portfolio decision-making. As part of this process in 2018 we became signatories to the ***United Nations Principles of Responsible Investment*** ("UN PRI").

Aim and impact of the Policy

The principal aim of the policy is for us to ensure that we are responsible owners of our companies, holding management to account for their actions and behaviour across all aspects of the business but with specific consideration of their progress on ESG. We want our companies to take these issues seriously, to report clearly on them and to aspire to be best in class within their peer groups.

We do this by seeking to equip our analysts with the knowledge and tools (including third-party research) they need to identify and assess relevant and material ESG factors for each company and by discussing these factors as part of our normal evaluation of our portfolio companies. We recognise that we are less likely to bring an "information advantage" to our analysis of ESG factors than we do in evaluating other aspects of businesses and financial modelling and as a result we will make greater use of third party data and analysis to supplement our proprietary research than we do in the rest of our investment process.

The aim of our analysis is to identify areas in which our businesses are failing to achieve appropriate standards on ESG matters (as we have always done on other business and financial matters in the past). Where issues arise, we may seek to address these topics with management and, where we are not satisfied with their disclosure or performance, we may seek to engage with them and, if necessary, their boards with a view to encouraging the company to recognise and address areas of underperformance.

We have not adopted a rules-based process whereby we set explicit boundaries for areas in which we will invest or issues and behaviours that we will avoid. Nor will we explicitly restrict our universe of companies. Instead we will seek to encourage improvement in the companies that we do own.

Our investment philosophy of seeking well-managed, higher-return businesses with organic growth opportunities tends to lead to a portfolio skewed towards brand, knowledge and technology intensive businesses with relatively low exposure to businesses that make significant use of energy, resources and materials. We also seek strong aligned management and good governance and expect our companies to be good employers so the ESG credentials of our portfolio companies tend to be strong relative to their respective peer group companies. However, this is not an explicit policy objective.

ESG Analysis

Ongoing training of analysts aims to ensure a high level of awareness of how and where to find information about a company's ESG characteristics and to compare these with best practice within their peer groups, recognising that there are widely varying and relevant factors in different industries. The aim is to produce an evaluation of ESG factors for each company in which we are invested, both ex-ante and on an ongoing basis.

Sources of information for this evaluation include company disclosure, public filings, information gathered first hand from meetings with management, external research from brokers and other information providers, and third party ESG rating services.

Our ESG evaluation forms a routine part of our discussion of company fundamentals at the time of investment and on an ongoing basis at investment team meetings. Responsibility for this evaluation lies with the primary coverage analyst for the investment.

Active Ownership & Engagement

We regard strong management ethics and good corporate governance as a desirable pre-requisite for investing in any company and have a long history of voting on corporate actions and direct engagement with boards in situations where we believe they are not acting responsibly.

We are long term shareholders and central to our investment philosophy is the concept of responsible ownership.

- As responsible asset owners we have been signatories of the ***UK Stewardship Code*** since its inception in 2010
- We joined the ***UK Investor Forum*** in 2018, in order to collaborate with likeminded investors on corporate governance issues
- We have engaged with ***ISS Governance*** to proxy vote on behalf of our clients. From April 2019 all proxy voting decisions have included consideration of ESG factors.

Whilst historically the majority of our engagements with companies have focused on business strategy or governance matters, we have also periodically raised matters that touch on environmental and social matters inasmuch as these issues have been critical operational or risk factors.

Responsibility and Governance

The Firm's founders are responsible for the implementation of the RI policy and ensuring that ESG factors are incorporated into investment decisions. Analysis, monitoring and engagement is undertaken by the investment team, with assistance from the risk management group. Progress is monitored over time by the Partnership Committee.

Firm

Our approach to ESG goes beyond our investment philosophy. We have implemented several initiatives across our wider business:

- In 2018 we engaged with ***Carbon Footprint*** to calculate, verify and assist with ways to offset our carbon footprint. From 2019 we are proud to be a carbon neutral organisation.
- We are signatories of the ***Anti-Slavery and Anti-Trafficking Statement*** and are committed to ensuring that modern slavery does not exist in our business and seeking to ensure that modern slavery does not exist in the businesses of our major suppliers.
- We attend at a number of sustainable investment and impact investing forums to stay abreast of latest developments.

Reporting

Our ESG analysis and interactions with management are documented internally. In addition, the following information will be made available to our clients:

- UN PRI Reports will be available on the ***UN PRI*** website from 2020. In 2019 we received an AAB score
- We may include ESG examples in our presentations
- We will update our policy accordingly as we develop and refine our process

United Nations Principles for Responsible Investment

Each year we submit an annual report to the UN PRI Association outlining our approach and relevant activities in relation to responsible investing. Below we summarise each of the six Principles.

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.

If you would like further information on our approach to Responsible Investment please contact Adelphi at ir@adelphi-capital.com

Sustainable Finance Disclosure Regulation

The following has been adopted by Adelphi Investment Funds plc for the purposes of its obligations under articles 3 and 4 of the EU Sustainable Finance Disclosure Regulation ("SFDR").

Sustainability Risks

The EU Sustainable Finance Disclosure Regulation ("SFDR") requires in-scope entities to disclose information on their polices on the integration of sustainability risks in investment decisions. Adelphi Capital LLP, as a UK firm, is not directly subject to SFDR, but provides portfolio management to a number of entities, including Adelphi Investment Funds plc on behalf of its sub-fund Adelphi European Select Equity Fund. Adelphi Investment Funds plc, as a self-managed UCITS fund, is directly subject to SFDR and has adopted the following information as its policy on the integration of sustainability risks in investment decisions for the purposes of article 3 of SFDR.

Under SFDR, "sustainability risk" means an environmental, social or governance ("ESG") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. The section therefore approaches sustainability risk from the perspective of the risk that ESG events might cause a material negative impact on the value of our clients' investments.

While our portfolio managers and analysts are provided with information on sustainability risks and may take sustainability risks into account when making an investment decision, sustainability risk would not by itself prevent Adelphi Capital from making any investment. Instead, sustainability risk forms part of the overall risk management processes, and is one of many risks which may, depending on the specific investment opportunity, be relevant to a determination of risk.

No consideration of sustainability adverse impacts

The SFDR requires in-scope entities to make a "comply or explain" decision whether to consider the principal adverse impacts ("PAIs") of its investment decisions on sustainability factors, in accordance with a specific regime outlined in SFDR.

Adelphi Investment Funds plc, as a self-managed UCITS fund, is directly subject to SFDR and does not seek to comply with the specific PAI regime set out in Article 4 of the SFDR. This is because the investment objective and policy of the relevant sub-fund does not provide for taking into account the principal adverse impacts of its investment decisions on sustainability factors.

Adelphi Capital LLP, as a UK firm, is not directly subject to SFDR and so does not seek to comply with the specific PAI regime set out in Article 4 of the SFDR. Adelphi Capital LLP does however consider sustainability to the extent described elsewhere in this policy.