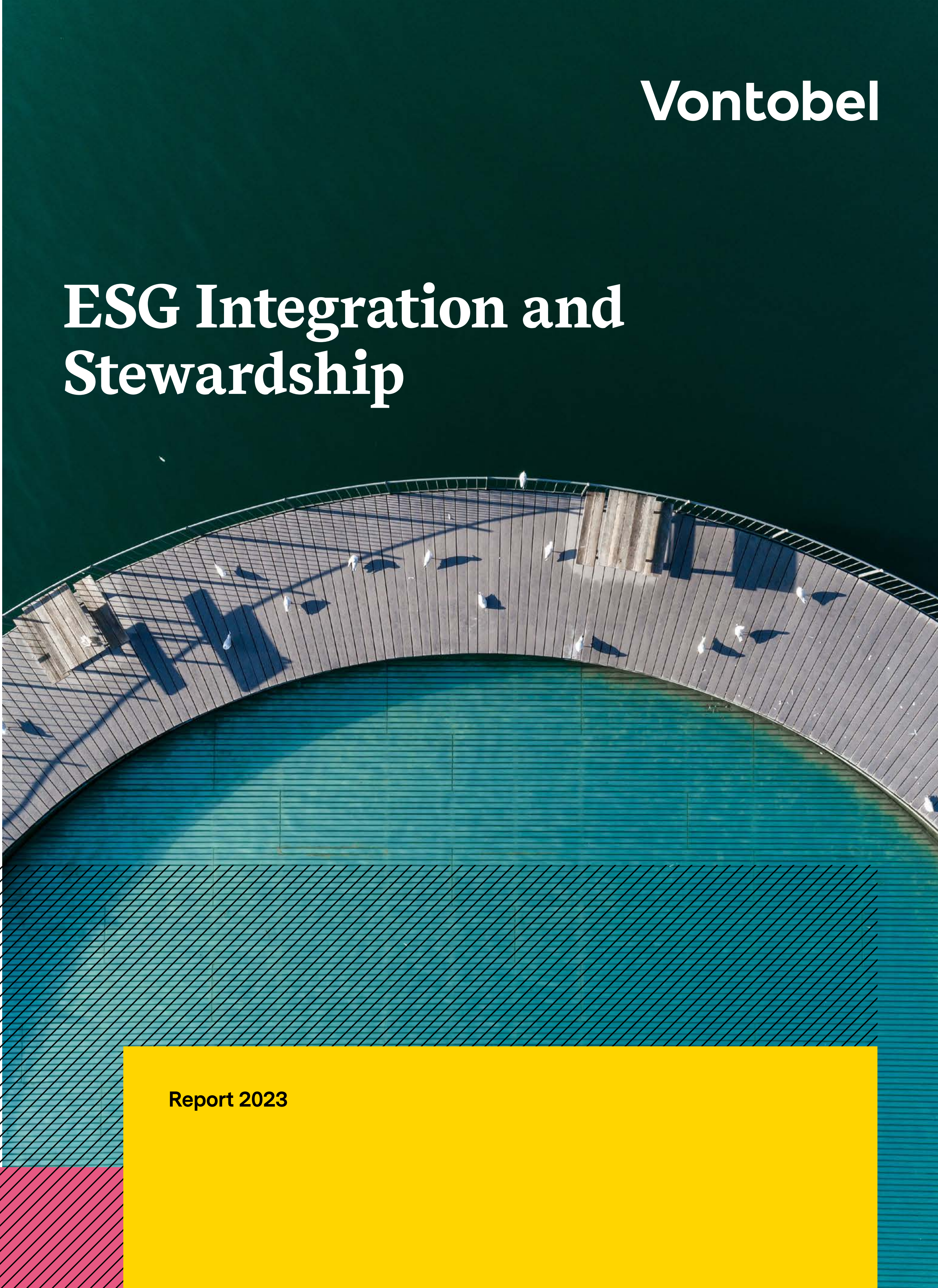
Vontobel

ESG Integration and Stewardship



Report 2023

Contents

Foreword

In 2023, the integration of ESG considerations into business practices continued to evolve as companies found themselves under increasing scrutiny to demonstrate their ESG commitments.

As an active investment manager, Vontobel aims to deliver excellent performance for our clients. Our active investing approach is built on the expertise of our highly specialized teams with dedicated ESG analysts. Vontobel is committed to incorporating ESG considerations into our investment decisions, and our four investment principles summarize our approach across all strategies.

Last year, we reached new milestones on our sustainability roadmap as we started measuring our progress on our six sustainability commitments—the key levers we have identified to deliver our sustainability goals. This translated into bolstering our ESG data platform, integrating the four ESG investment principles into our senior leaders' performance assessments, and conducting ESG-related trainings for our employees, building on previous years' progress. As for our active ownership activities, we continued to foster our collaborative approach with our stewardship partners.

In 2023, a key development within the Swiss market was the release of the Swiss Stewardship Code, published by the Asset Management Association Switzerland and Swiss Sustainable Finance, of which we are active members. The voluntary code establishes a robust framework and guidance for stewardship activities across the Swiss investment industry, with the objective of promoting more such activities and fostering greater transparency in the area.

We are proud to be among the first investment managers to seek to align their stewardship activities with this new code. The publication of this latest ESG Integration and Stewardship Report is one example. In it, we present deep dives into some of our engagements and voting activities throughout the year. We hope that this report offers you an informative glimpse into our ongoing sustainability initiatives.

Looking ahead to 2024, our commitment remains steadfast in this fast-evolving field. We are excited to continue our sustainability journey as we empower clients to build better futures.

Christel Rendu de Lint, PhD
Co-CEO and Head Investments

Our profile

We are an international investment management firm with Swiss roots, providing investment, advisory, and solution capabilities to private and institutional clients. Headquartered in Zurich, Switzerland, we are present across 28 locations worldwide. Vontobel Holding AG shares are listed on the SIX Swiss Exchange and are majority owned by the founding family. The family's close ties to the company guarantee entrepreneurial independence, and the resulting freedom creates an obligation to assume social responsibility. With our investment-led approach that focuses exclusively on the buy-side of financial markets, we think and act purely from the client's perspective—as an investor for investors.

This includes continually rethinking how to empower investors—something we have engaged in for over 100 years. Harnessing the power of technology allows us to deploy our investment expertise across multiple platforms and ecosystems while aiming to offer an individualized and high-quality client experience. Our conviction that successful investing begins with the assumption of personal responsibility means we focus on empowering employees to unlock their potential, take ownership of their work, and bring opportunities to life. We continuously scrutinize our achievements as we strive to exceed the expectations of our clients.

Regarding Institutional Clients, we offer asset management expertise and services to sophisticated investors and intermediaries, such as banks, insurance companies, and asset managers. The combination of our local presence and international reach plays a key role in serving our clients, underpinned by strong independent investment capabilities, specializing in solutions across equities, fixed income, quantitative, multi asset, and private markets. As active managers, we invest with high conviction, supported by innovative research and robust risk management, aiming to deliver excellent performance for our clients.

103.6
billion CHF
assets under management[1]

50.9
percent
family owned

20
locations
across the globe

6
investment teams

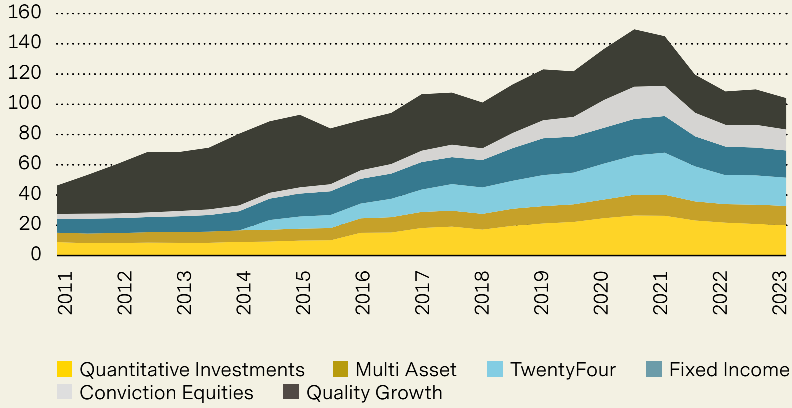
over 200
investment specialists

over 30
ESG experts[2]

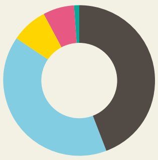
[1] Vontobel's Institutional Clients segment only.
[2] More information about our ESG experts can be found on page 81.

Assets under Management

in CHF billion



Client location (AuM in CHF billion)



Client type (AuM in CHF billion)

Client assets by investment team[1]

ASSET CLASS	INVESTMENT TEAM	CLIENT ASSETS IN CHF B
Equities	Quality Growth	20.8
	Conviction Equities	14.0
Fixed Income	Fixed Income	17.9
	TwentyFour	18.8
Multi Asset	Multi Asset	12.7
	Quantitative Investments	19.8
Total		**103.6**

→ More information about our financial reporting can be found under vontobel.com/financial-reporting

[1] Adjusted for overlap, as investment teams partly use same building blocks.

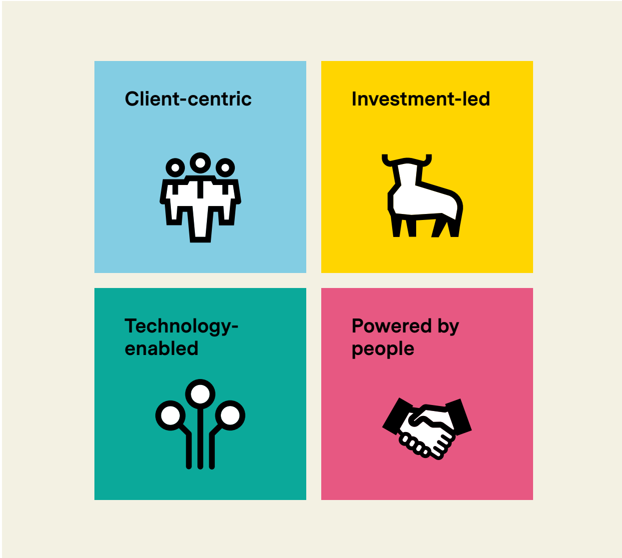
Positioning and strategic priorities

A client-centric investment firm— clearly positioned for clients and investors
The demand for professional investment solutions and individually tailored expert investment advice is growing constantly across all client groups and sections of the population, as well as a means of addressing the increasing pension funding gap around the world. Geopolitical and economic uncertainties are increasing globally. The investment environment has changed and is therefore challenging and volatile.

At the same time, the wishes and behavior of clients are evolving, due in particular to ever-faster technological advances and the new opportunities they create. Today, investors expect individual solutions at any time and in any location. They want problems to be solved with a single click. Practices that are already part of the everyday client experience in large areas of the retail industry are now also increasingly visible in the financial sector.

At Vontobel, we want to actively seize growth opportunities resulting from changes in the investment environment and evolving client behavior at an early stage. Our aim is to thus set ourselves apart from the competition—leading the way in terms of the quality of our performance and client experiences. Our stable shareholder structure has always allowed us to think and act long-term. We are underscoring our commitment to taking the client's view with our exclusive focus on the buy-side business. This means that we are always on the side of the investor.

A pure-play investment manager based on four strategic levers
We are shaping our future direction based on our four strategic levers. Client-centric and investment-led are levers that are closely connected so that we can offer the best investment solutions tailored to client needs. Vontobel is convinced that client focus and investment expertise remain key to the success of our clients and the company. We want to anticipate the wishes of our clients so that we are always ready to deliver the right solutions. We are technology-enabled and intend to make even greater use of the power of technology. We could not achieve all this without our employees. We are powered by people because they make the difference in our industry—today and in the future.



Our Lighthouse Ambition 2030
As a long-term oriented investment firm, we have set our Lighthouse Ambition 2030: "By 2030, Vontobel will be known as one of the leading and most trusted global investment firms." By concentrating on this shared long-term goal, we can ensure that the entire Vontobel organization is working together and moving in the same direction.

The Ambition encompasses that by 2030, Vontobel will be recognized as one of the leading and most trusted global investment firms with an entirely client-centric organizational set-up. Our clients and investment processes will be supported by digital data and analysis. Content, data, and artificial intelligence will be at the heart of what we do. Our work will center around investing, and the solutions we create will be best-in-class for alpha, beta, and income products.

Our priorities in 2023 and 2024
To ensure the requisite degree of agility and flexibility, the firm operates towards the clear long-term vision in two-year sprints with concrete targets and business plans. This approach, based on focused and agile rolling two-year plans, ensures that our short- and medium-term efforts firmly align with our long-term Lighthouse Ambition 2030.

The Board of Directions and the Executive Committee have defined four strategic priorities that guided us in 2023 and will continue to serve as our leading light in 2024:
1. Aiming to deliver future proof investment solutions
2. Delivering best-in-class private client experiences
3. Accelerating our US growth
4. Scaling value creation

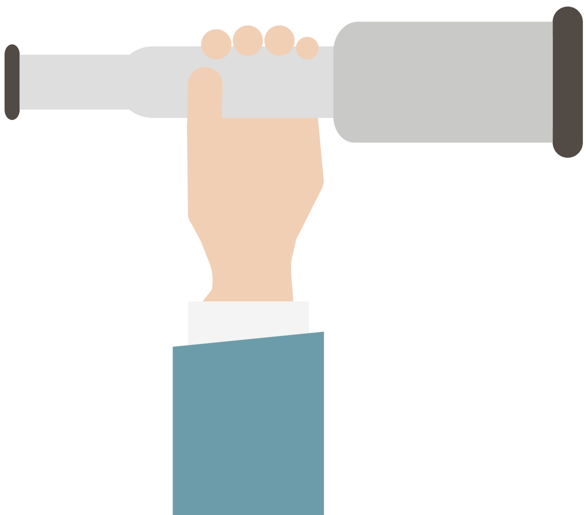
In the last financial year, Vontobel made progress on all four of these priorities.

→ More information about our positioning, the way we operate, and our strategic priorities can be found in Vontobel Group's Annual Report.

Sustainability is part of our strategy
Within our first strategic priority to aim to deliver future-proof investment solutions, we explicitly target the "transition to sustainability." We work towards the expansion of our ESG offering and live by our ESG investment principles.

Apart from our priorities for 2023 and 2024, the sustainability positioning and six Sustainability Commitments have been a strategic pillar since 2023. More information about these commitments can be found on page 13.

This report provides an overview about our ESG-related activities and processes.



Introduction

Key facts and figures

6 Sustainability Commitments

Vontobel's sustainability positioning includes six commitments that set out our contribution to a more sustainable economy and society.

→ More about these commitments on page 13.

29 billion

CHF AuM in investment solutions classified as "sustainable", representing 29 percent of our AuM.[1]

→ More about our product categories on page 20.

over 20 ESG strategies

We currently manage 20+ strategies with sustainability criteria and are able to offer customized solutions based on client-specific requirements.[2]

4 ESG investment principles

In 2022, our investment teams formalized four common ESG investment principles that focus on: enabling our clients to achieve their investment objectives, voting and engagement, accountability, and transparency.

→ More about our four ESG investment principles on page 19.

4 out of 5 stars

Vontobel is a signatory to the Principles of Responsible Investment (PRI). [3] We were awarded a 4-star rating in 2023 for the PRI module "Investment and Stewardship Policy".

Avant-gardist

In 2023, Vontobel was ranked as Avant-gardist in the Responsible Investment Brand Index.[4]

1 Vontobel's Institutional Clients segment only, as per 31.12.2023.
2 More information about this approach can be found on page 20.
3 More information on the Principles of Responsible Investment can be found under unpri.org.
4 More information about the Responsible Investment Brand Index can be found under ri-brandindex.org/.

Our ESG journey

Our heritage
Responsible entrepreneurship has traditionally been part of Vontobel's corporate culture. Much of what is key to Vontobel today was already visible in the early years of the company. Vontobel dates back to 1924. Even in those difficult years, the founding generation, led by Jakob Vontobel, was committed to implementing a sound business policy and a conservative capital position and thus laid the foundations for the system of values that Vontobel still upholds today. Our brand colors have their origins in the family crest due to this strong connection.

The second generation, led by Dr. Hans Vontobel, was committed to the principle of moderation throughout his life. The closest equivalent to the term sustainability may well be "moderation". The original definition of sustainability is to only harvest as much wood from the forest as can be regenerated naturally within a foreseeable period. Dr. Hans Vontobel was the son of Jakob Vontobel and, from 1943 onwards, spent decades working tirelessly for the company as a member of the second generation. He also brought an entirely new dimension to Vontobel's system of values—that of social commitment.

Close ties with the Vontobel family place us in a unique position to stay the course through market turmoil while guaranteeing our entrepreneurial independence. We consider the resulting freedom an obligation of social responsibility.

A responsible corporate citizen and employer
Corporate responsibility has a long tradition at Vontobel, from ESG investment solutions to environmental sustainability to serving communities.

Vontobel acts as a responsible corporate citizen and employer, supporting communities and considering environmental aspects when running its own operations. Sustainability also plays a relevant role in our business activities. Investors can obtain a range of sustainable solutions from us. These include various equity funds in which sustainability aspects form an important criterion for the valuation and selection of companies.

We have had sustainability principles since 2007, thus emphasizing Vontobel's commitment to sustainability as a corporate citizen and employer. Vontobel further developed its sustainability positioning with the six Sustainability Commitments (more information can be found on page 13).

We remain true to our own founding principles. In 2016, Dr. Maja Baumann, granddaughter of Dr. Hans Vontobel, and Björn Wettergren, his great-nephew, were elected as members of the Board of Directors of Vontobel Holding AG representing the founding families. They are the fourth generation of the families to assume a position of responsibility within the company. They both feel committed to upholding the values of previous generations and ensure that Vontobel continues to write its corporate history in terms of sustainability over the coming decades.

"As owners thinking for the long term, we support Vontobel's efforts to play an active role in the sustainable transformation of our economy and society for future generations."

—
Dr. Maja Baumann
Fourth generation of the Vontobel family and member of the Board of Directors

Key dates

1998
Vontobel's first ESG investment solutions
The first investment solutions followed a best-in-class approach, i.e., investing in companies with above-average sustainability score based on a positive assessment of the company's performance, first in the environmental sector, later also in the areas of governance and social areas.

2007
Vontobel's 10 sustainability principles
Vontobel defined its commitment to sustainability in exact terms in 2007 in the form of its 10 sustainability principles. From the integration of sustainability in our investment activities to being a fair employer and acting in an environmentally friendly manner, these principles cover the entire range of our activities as a financial institution.

2009
Offsetting all operational emissions
Vontobel is offsetting all its operational carbon emissions (Scope 1, Scope 2, and Scope 3 emissions[1]) through the purchase of CO_2-certificates of external products that save the equivalent volume of emissions.

2010
Vontobel became a signatory to the Principles for Responsible Investments (PRI)
Through the signing of the Principles for Responsible Investments, Vontobel has committed itself to the gradual implementation of six principles for the broad integration of sustainability in investment processes.

In 2023, Vontobel was awarded a 4-star rating for the PRI module "Investment and Stewardship Policy".[2]

2011
Group-wide exclusion of controversial weapons
All our investments must fulfill minimum requirements. Cluster munitions and land mines are banned by international conventions. Vontobel therefore approved a group-wide policy that prohibits investments in companies that manufacture these types of weapons. Stringent processes ensure that no manufacturers of cluster munitions and land mines are included in our investment funds, discretionary mandates, or investment recommendations.

2017
Alignment with UN Global Compact Principles
The Global Compact is a strategic initiative of the United Nations for companies such as Vontobel that commit themselves to aligning their business activities and strategies with ten universally accepted principles covering human rights, labor standards, environmental protection, and anti-corruption.

2019
ESG Investing and Advisory Policy
This policy details how Vontobel integrates sustainability risks, and principal adverse sustainability impacts in its investment decision, and advisory services. With regards to sustainable finance, it explains our rationale, objectives, governance structure, and how we implement this policy across business divisions.

2021
Signatory to the UK Stewardship Code
Vontobel has demonstrated its commitment to effective stewardship through the application of the principles of the UK Stewardship Code.

Vontobel is a member of various organizations and a co-signatory to a number of investor initiatives. In this way, we have committed ourselves to the sustainable development of the environment and society.

→ Find more about our memberships on page 82 and on our website under vontobel.com/ratings-memberships.

2022
Six Sustainability Commitments
In 2022, the Board of Directors laid the strategic foundations for Vontobel's sustainability commitment from 2023 onwards. In collaboration with the Executive Committee, it defined the Group's sustainability positioning and six Sustainability Commitments.

→ Find more about our six Sustainability Commitments on page 13.

Four ESG investment principles
In 2022, our investment teams formalized four common ESG investment principles, that are being measured from 2023 onwards. The implementation of these principles has been monitored by the Corporate Sustainability Committee.

→ More about our four ESG investment principles on page 19.

1 We base our operational carbon emission calculations on the Greenhouse Gas (GHG) Protocol. In our scope 3 operations emissions we include energy-related emissions not included in Scope 1 or 2, business travel with external vehicles, commuting, food, paper, printing, mailings, waste, and water. In this reporting period (2022/2023) we have also included IT devices. Other Scope 3 emissions are not included. The selected projects run under international standards such as the Verified Carbon Standard (VCS). Detailed information about the project is available at: vontobel.com/en-ch/about-vontobel/responsibility/environment-and-climate/.
2 More information on the Principles of Responsible Investment can be found under unpri.org.

Looking ahead— Our sustainability positioning

Vontobel's six Sustainability Commitments and progress

Throughout the years, Vontobel has continued to empower clients to build better futures. In 2022, the Board of Directors laid the strategic foundations for Vontobel's sustainability commitment from 2023 onwards. In collaboration with the Executive Committee, the Board of Directors revised the previous sustainability principles and defined the Group's sustainability positioning and six Sustainability Commitments instead. The Sustainability Commitments set out the key levers that we have as a global investment firm and as a corporate citizen to deliver on the promise we have made based on our sustainability positioning. We are working systematically across all our departments and Centers of Excellence to deliver on our six Sustainability Commitments and, in doing so, are helping to drive the transition to a more sustainable economy and society.

In the past year, we have continued to further set out our six Sustainability Commitments and have defined actionable measures and KPIs to monitor and measure progress and success. For the first time, the Sustainability Report outlines our progress towards meeting our Sustainability Commitments.

Stakeholder engagement

Our six Sustainability Commitments center around our main groups of stakeholders: clients, shareholders, employees, regulators and the community in which we live and work. These are either impacted by Vontobel's business activities and / or have a substantial influence on the success of the company. At established points of contact, such as our departments, Investor Relations or Corporate Responsibility, potential stakeholders are recorded based on the queries we receive. For Vontobel, interacting with our stakeholders is an important component of our day-to-day business and is key to gaining a better understanding of stakeholders' interests and expectations.

Vontobel is committed to engaging with its stakeholders by providing relevant information regarding challenges and opportunities relating to sustainability matters.

Our sustainability positioning

"Sustainability has always been a focus for our owner families, now in their fourth generation. As corporate citizens, we honor their commitment by contributing to the health of our local communities. As a global investment firm, we empower investors with the necessary knowledge, tools, and investment options to consider sustainability in the building of their better futures. Through these efforts, we contribute to the UN's SDGs and aim for our impact to be proportionate to our reach."

Our six Sustainability Commitments

Achieve net-zero by 2030 in our banking book investments and operations.
By 2030, we aim to be net-zero[1] with our green-house gas emissions (GHG) in our operations and banking book investments. Additionally, we aim to be net-zero with our GHG emissions in our trading book bond investments by 2050.

Continue creating a great workplace where everyone can thrive.
Our work practices advance equality, diversity, and inclusion and foster a workplace environment where everyone has the opportunity to develop and reach their full potential. Mutual respect and openness, without discrimination, shape our culture.

Empower our stakeholders to challenge us through governance and transparency.
We see transparency as a key tool for empowering our clients to track how we deliver on our sustainability ambitions. And we see good governance (the "G" in ESG) as a key mechanism to ensure delivery of our ESG strategy, at both the product and corporate levels. We report on our sustainability-related performance using state-of-the-art reporting standards.

Advise our private clients on the benefits, opportunities and risks of ESG investments.
We advise our private clients on the risk / return characteristics of ESG investments to help them build portfolios that meet their goals, and we want to offer them a comprehensive product shelf to choose from. This will entail the creation of sustainability profiles for clients, based on their investment needs, across different regions and jurisdictions.

Incorporate ESG consideration into active investment decisions.
We believe that ESG consideration is part of our fiduciary duty, requires investment team accountability, and demands transparency. For this reason, our investment teams subscribe to four ESG investment principles. This foundation enables us to offer a wide range of ESG solutions, in response to our clients' desired investment objective(s), which can be any one, or a balance of, the following:

1. optimizing risk-adjusted performance through the consideration of financially material ESG issues;
2. mitigating negative environmental and social impact from investments; and
3. investing in companies that provide products and services that aim to actively and positively contribute to the UN Sustainable Development Goals (SDGs).

Be an active member of the local community.
Vontobel operates with the spirit of citizenship to foster quality of life in the places we live and work. We do this by providing jobs and enabling and encouraging our employees to play an active role in their local communities. Vontobel and the charitable Vontobel Foundation have sponsored projects in the areas of social welfare, medical research, nature and culture since 1993.

[1] Net-zero means achieving a balance between emissions and removals of GHGs from the atmosphere (ISO IWA 42:2022), Scope 1 – 3 in our own operations and Scope 1 – 2 in our banking book. Our commitment is aligned with the 2015 Paris Agreement goal to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. We will step up our efforts to reduce emissions and will neutralize residual emissions at the net-zero target year and any GHG emissions thereafter.

ESG governance

ESG guiding principles and policies

Code of Conduct
Our Code of Conduct defines principles and practices that employees, governing bodies and all representatives who act on behalf of Vontobel must observe to ensure that we perform our business activities in a fair, ethical, transparent, and responsible manner.

→ Find out more about our code of conduct on our website under vontobel.com/code-of-conduct.

Guidelines for sustainable procurement
We strive to conduct our own operations in accordance with high environmental and social standards, and we therefore also expect our business partners to adhere to the principles of responsible business conduct. These aspects have been incorporated into our tendering process and have served as a guide when awarding contracts since 2021.

Specifically, regarding our investment activities, we have the following policies in place that govern our ESG practice:

Guidelines on cluster bombs and landmines
Cluster bombs and landmines are banned by international convention. In 2012, Vontobel approved a Group-wide guideline that prohibits investment in companies that manufacture these types of weapons.

ESG Investing and Advisory Policy
This Group-wide policy details how Vontobel approaches ESG investing. In particular, it explains our rationale, our ESG investing objectives, governance structure and how we implement this policy across our business divisions. It has been reviewed in 2023 to reflect organizational changes, business practices, and new regulatory requirements.[1]

Voting and Engagement policies
Whenever authorized to do so, we actively exercise voting rights for our Vontobel funds. Furthermore, we maintain an active dialogue with all companies in which the funds invest. Vontobel's Institutional Clients segment has a voting policy and engagement policy in place. They define how we fulfill this responsibility.

→ Find out more about our guidelines and policies in our ESG Library on page 86 and on our website under vontobel.com/principles-policies.

[1] The amended policy enters into force in 2024.

ESG governance structure

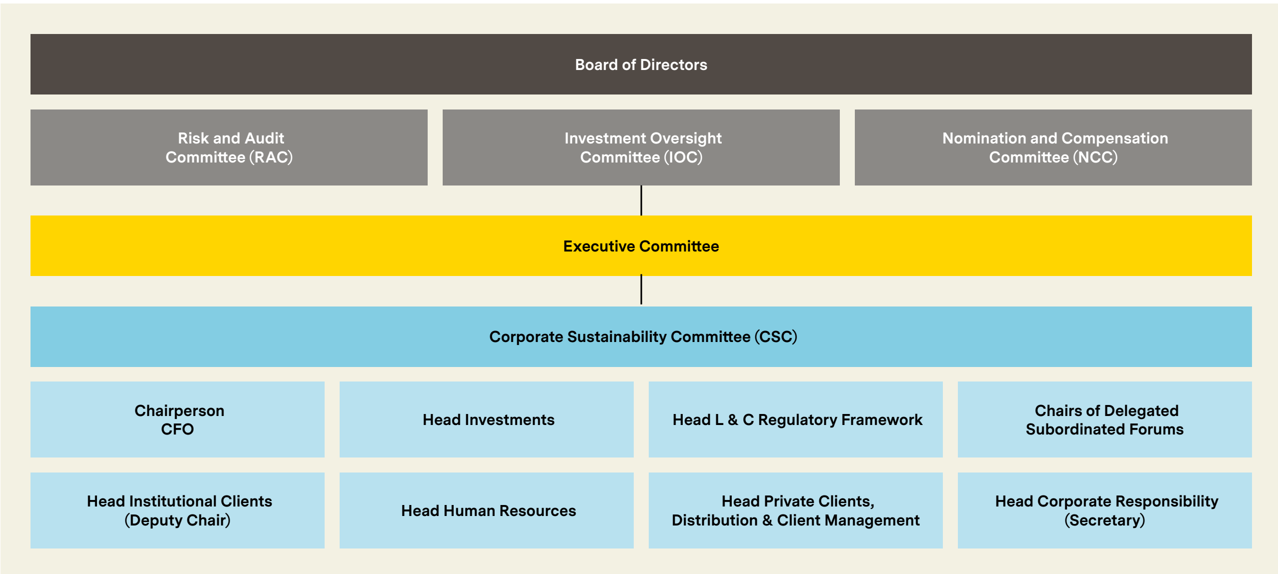
Effective governance with clearly allocated roles and responsibilities is a key feature in the transition towards a sustainable future and is necessary for an organization to operate efficiently. In 2023, the terms of reference and especially the roles and responsibilities of the respective committees were further sharpened in order to increase their efficiency. In addition, the links to the delegated sub-forums have been clarified.

The Board of Directors of Vontobel Holding AG is responsible for defining the overall strategic direction of Vontobel and for the approval of the strategy. As such, the Board of Directors has a decisive influence on Vontobel's strategy, structure, and culture. In order for the Board of Directors to perform these duties credibly and to act independently from the Executive Committee, it must be composed of qualified and experienced members.

With regards to sustainability, the Board of Directors, together with the Executive Committee, has defined Vontobel's sustainability positioning and six Sustainability Commitments in 2022 and has thereby laid the strategic foundation for Vontobel's sustainability engagement in the coming years.

The Executive Committee is responsible for the operational management of the Group and for maintaining suitable processes in general. The Corporate Sustainability Committee (CSC) and the Investment Management Committee (IMC) both hold delegated authority from the Executive Committee.

The CSC has three subordinated forums: ESG Investment Forum, ESG Private Clients Forum and ESG Structured Products. Key to our Institutional Clients business and the activities of the six investment teams is the ESG Investment Forum. These subordinated forums are key to knowledge sharing among the different business areas and ensure horizontal communication around sustainability / ESG topics. The Chairs of the respective forums are members of the CSC.



"Governance and transparency are crucial building blocks for ensuring that we achieve our sustainability goals. Governance is about ensuring that we have the right organization, processes, interfaces, roles, and responsibilities to achieve our goals as soon as possible."

—
Dr. Thomas Heinzl
CFO, CRO, CSC Chair

Bodies dedicated to sustainability:

Corporate Sustainability Committee

Purpose and mandate
The Corporate Sustainability Committee (CSC) has delegated authority from the Executive Committee of Vontobel Holding AG to oversee and govern the Group-wide sustainability / ESG initiatives, including the ongoing activities ("run") and oversight of the "change", with a particular focus on the firm's six Sustainability Commitments. As such, it is the main governance and decision-making body for corporate responsibility and sustainability on an operational level. This includes implementation of the six Sustainability Commitments, implementation of external regulatory frameworks and the appropriate communication about our sustainability framework to avoid any form of greenwashing. ESG / Sustainability implementation within Investments is managed by the respective investment teams under the oversight of the IMC. The Head Investments is a member of both the CSC and the IMC.

Members
– Client segments' representatives
– Centers of Excellence representatives, including Investments representatives
– Chair ESG Investment Forum

Meeting frequency
At least quarterly

ESG Investment Forum

Purpose and mandate
The ESG IF is a delegated subordinated forum of the CSC and all investment teams under the IMC are part of this forum. The ESG IF has a coordinating role within Investments on ESG related topics in the investment process. This includes setting common standards for ESG across investment teams with respect to product classification and product labelling. The chair of the ESG IF is a member of the CSC.

Members
– Chair nominated by Head Investments,
– Head of Institutional Clients ESG Center (secretary),
– One representative per investment team.

Meeting frequency
Monthly

→ More information about our ESG governance structure can be found on page 104ff of Vontobel's 2023 Sustainability Report.

ESG investing in practice

Our approach to ESG

As a pioneer in this field, we have been offering our clients a range of investment solutions that incorporate ESG criteria since the 1990s. We deliver value through our diverse and highly specialized teams and dedicated ESG analysts.

Our investment teams subscribe to four common ESG investment principles because we believe, over time, that this enables our clients to achieve their investment objectives. As active investors, we make use of the tools of engagement and voting to perform our fiduciary duty as stewards of our clients' capital. Our investment teams are accountable for the application of our ESG investment principles, and we commit to transparency through disciplined disclosure, reporting, and dialogue. The implementation of these principles is measured from 2023 onwards, using selected key performance indicators (KPIs).

This foundation enables us to offer a range of investment solutions in response to our clients' desired investment objectives, which may be any one or a balance of the following:

- Optimizing risk-adjusted performance through the consideration of financially material ESG issues.
- Mitigating negative environmental and social impact from investments.
- Investing in companies providing products and services that aim to actively and positively contribute to the UN Sustainable Development Goals (SDGs).

Our four ESG investment principles

1. We incorporate ESG considerations into our investment processes to enable our clients to better achieve their investment objectives.
2. As active managers, we leverage the tools of engagement and voting.
3. Our investment teams are accountable for the application of our ESG investment principles.
4. We are committed to transparency through disciplined disclosure, reporting and dialogue with all our stakeholders.

"As stewards of our clients' capital, we embrace ESG investment principles as a cornerstone of our investment approach and integrate them into our processes. Through accountability, transparency, and active engagement, we strive to align financial goals with broader societal and environmental objectives as we empower our clients to build better futures."

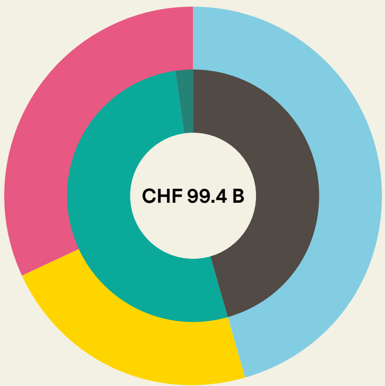
—
Christel Rendu de Lint, PhD
Co-CEO and Head Investments

1

Principle

We incorporate ESG considerations into our investment processes to enable our clients to better achieve their investment objectives.

Investment solutions that incorporate ESG criteria[1,2]



Vontobel category (AuM)

Sustainable	CHF 29.0 B
Promote ESG	CHF 23.4 B
Integrated ESG	CHF 47.1 B

SFDR category[3]

Article 9	CHF 2.2 B
Article 8	CHF 50.2 B
Article 6[4]	CHF 47.1 B

Vontobel offers a range of investment solutions that incorporate ESG criteria. To ensure transparency and comparability, we have grouped these financial products into three categories[5]:

1. "Integrated ESG Risks" (SFDR Article 6): Exclusion of controversial weapons and consideration of sustainability risks.

2. "Promote ESG" (SFDR Article 8): In addition to the integration of sustainability risks, these products consider material ESG factors and certain negative impacts on society and the environment during the investment process. Furthermore, subject to asset owners' consent and operational feasibility, voting and engagement are aligned with the ESG strategy, and ESG reporting is available.

3. "Sustainable" (SFDR Article 8 or 9): In addition to the criteria applied to the "Promote ESG" category, these products further apply exclusions of certain sectors and industries. Moreover, SFDR Article 9 products mostly invest in companies that contribute to the realization of environmental and / or social objectives. These companies play a positive role in the sustainable development of the economy and society and capture opportunities arising from this transition.

We currently manage over 20 distinct strategies that integrate ESG criteria. In 2024, we plan to revise our product categories and product classification based on anticipated regulatory changes, particularly in the EU.

[1] Further details about Vontobel's asset under management breakdown can be found in the Group's Annual Report 2023 on page 228.

[2] As of December 31, 2023, Vontobel's Institutional Clients segment had a total of CHF 99.4 billion of assets under management invested into solutions that incorporate ESG criteria. Due to rapid regulatory developments, categorization of Vontobel's products has changed significantly. We excluded non-discretionary mandates and Actively Managed Certificates (AMCs) from the 2023 figures.

[3] To ensure transparency and comparability, we have classified all of our investment solutions that integrate ESG criteria according to the SFDR. In the case of investment solutions that are not subject to SFDR, the classification has been applied mutatis mutandis. SFDR is not a labelling regime, but a disclosure regime. Accordingly, SFDR-article-products are not quality labels for sustainability and investors shall not take the mere presence of an SFDR-article-product disclosure as an indication of sustainability or quality label for sustainability per se.

[4] Article 6 of the SFDR relates to products that disclose if and how ESG risks are taken into account. For all of the investment solutions considered here, the continuous monitoring of ESG risks forms part of the risk management process. This chart only shows those products covered by Article 6 of the SFDR that take account of ESG criteria.

[5] Not all of our products fall within the scope of the European regulation SFDR. Since at present, there is no uniform internationally recognized framework for financial products that integrate ESG criteria, in the case of investment solutions that are not subject to SFDR, the classification has been applied mutatis mutandis. SFDR stands for Sustainability Related Financial Disclosures Regulation, namely Regulation (EU) 2019 / 2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector. SFDR is not a labelling regime, but a disclosure regime. Accordingly, SFDR-article-products are not quality labels for sustainability and investors shall not take the mere presence of an SFDR-article-product disclosure as an indication of sustainability or quality label for sustainability per se.

2

Principle

As active managers, we leverage the tools of engagement and voting.

As a signatory to the UN Principles for Responsible Investment, Vontobel commits to being an active owner and to incorporate environmental, social, and corporate governance (ESG) issues into its ownership policies and practices. We believe active ownership adds value between long-term partners. At the same time, we are convinced that voting and engagement can have a positive influence on companies, economies, societies, and the environment.

Since 2019, Vontobel's Institutional Clients segments has had voting and engagement policies in place, corresponding statements can be found under vontobel.com/esg-library.

We engage with companies and sovereign issuers for updates and issues of concern. As an active investment manager, we prefer to engage with the management of investee companies directly. We also use collaborative engagements, performed by third parties. Reasons to engage can include business strategy, corporate governance issues, change in the capital structure, remuneration issues, and identified environmental and social risks.

An important part of active ownership is our voting activities. Vontobel recognizes that portfolio management of the assets of clients, which include stocks, may include an obligation to vote in relation to the stock. If authorized to do so, Vontobel will vote in a manner which it reasonably believes to be in the best interest of the client and in line with any specific legal or regulatory requirements that may apply.

Our active ownership framework

Voting
We have selected specialized voting service providers that provide us with voting research. The voting policies followed by these providers typically take into account ESG criteria.

We are working with:
- Responsible Engagement Overlay (reo®), by Columbia Threadneedle
- Institutional Shareholder Services (ISS)
- Ethos

Engagement
Direct engagement activities
Our investment teams conduct engagement activities, either to better understand certain aspects of the ESG performance of the companies, or to raise specific issues of concerns.

Collaborative engagement activities
Our partnership with specialized stewardship service providers allows us to engage with other investors on ESG topics. In certain cases, we may also collaborate directly with other investors.

We are working with:
- Responsible Engagement Overlay (reo®), by Columbia Threadneedle
- Sustainalytics on selected thematic engagements

→ More information about our voting and engagement activities on page 37.

3

Principle

Our investment teams are accountable for the application of our ESG investment principles.

ESG capabilities are embedded in our investment teams
We believe ESG considerations require investment team accountability. Our dedicated ESG analysts are embedded within our investment teams, and their work is integrated into the investment process. This allows them to collaborate closely with financial analysts and portfolio managers, fostering a continuous exchange. It also ensures that our clients benefit from deep expertise in specific asset classes.

Several specialists with different backgrounds work on ESG-related topics, be they portfolio management, ESG research or overarching topics. They build on several years of investment experience and a strong track record in the ESG field. 14 of them are ESG analysts and are fully dedicated to ESG topics.

Since 2023, the application of the four ESG Investment Principles is integrated in the performance assessment of our Investments senior leadership.

Key roles in the application of our four ESG investment principles
ESG analysts
They conduct ESG research and work on the further development of the integration of ESG considerations in our investment strategies.

14 **ESG analysts**[1]

Portfolio managers that manage "Promote ESG" and "Sustainable" funds[2]
They apply the ESG investment process and work in close collaboration with the ESG analysts.

35 **portfolio managers**

An integrated approach, firm wide collaborations
In addition to ESG analysts embedded in our investment teams, the Institutional Clients ESG Center advises investment teams on the latest regulatory, market and product developments. This team plays an instrumental role in the continuous development of Vontobel's ESG framework, building the link between the investment team and other functions.

Each investment team is represented by an ESG Lead in the ESG Investment Forum which, among other tasks, serves as a platform to review and challenge ESG approaches and product governance structures. The members of the ESG Investment Forum shape the ESG product strategy, formulate investment-related ESG policies and assess investor-led ESG initiatives. The ESG Lead is appointed by the head of each investment team. In addition to the collaboration within the ESG Investment Forum, the exchange between ESG analysts is fostered through dedicated working groups.

→ More information about the ESG Investment Forum can be found on page 17.

[1] More information about our ESG experts can be found on page 81.
[2] More information about our ESG product categories can be found on page 20.

4

Principle

We are committed to transparency through disciplined disclosure, reporting, and dialogue with all our stakeholders.

Disciplined disclosure
We commit to transparently disclosing the ESG process that we apply for our financial products, where those integrate ESG criteria in the investment process. This information is typically included in the respective pre-contractual disclosures. The extent and focus of the disclosures depend on the ESG process applied, ranging from the sole consideration of financially material sustainability risks to investments in companies that positively contribute to an environmental or social objective.

Reporting on our ESG activities on a regular basis
We report regularly on Vontobel's ESG activities through our yearly reports.

For Vontobel as a group:
- Corporate Responsibility & Sustainability Report
- UN PRI Transparency Report
- Statement on principal adverse impacts (PAI) of investment decisions on sustainability factors

Specifically covering Investments and Institutional Client business related activities:
- ESG Integration and Stewardship Report
- Voting and Engagement Report
- Voting records

→ The reports are available under am.vontobel.com/esg-investing.

For our investment products, we provide amongst other the following reports:
- Factsheets: ESG data is included in fund factsheets (made available on a monthly basis on our website)
- Regulatory SFDR reports: for our investment funds in scope of SFDR (available on an annual basis)
- European ESG Template ("EET") for our funds domiciled in the EU and Switzerland
- Other reports tailored to the strategy, e.g., Impact Reports for Listed Impact strategies, mandate ESG reports.

While factsheets include standardized data, such as fund's MSCI ESG rating or E, S and G scores, other reports are designed to be in line with the respective investment process and goals. The information covers for example aspects such as the ESG profiles and ESG ratings of certain investments, the ESG profiles of our mandates and funds—including benchmark comparisons—and CO_2 reporting, or impact-related information based on the UN Sustainable Development Goals (SDGs).

One example is the Impact Report published for our Listed Impact strategies on a yearly basis. For each strategy, a set of indicators is defined and linked to the impact pillars of the investment strategies. As an example, for the impact pillar "clean water", the SDG 6 "Clean Water and Sanitation" is pursued, and the indicators "drinking water provided" and "water recycled, treated, saved" are tracked to quantify the impact. Moreover, we have developed a method designated "Potential Avoided Emissions" (PAE) together with ISS ESG.

→ The full Impact Reports 2023 are available on our website under am.vontobel.com.

As part of the implementation of SFDR reporting requirements (for financial products in scope of SFDR), we integrated ESG information in the fund Annual Reports, for our Article 8 and 9 SFDR funds. Since 2023, we have published these reports using the SFDR Regulatory Technical Standards (RTS) templates. The SFDR RTS are used as standards for all financial products in scope of SFDR, providing comparability. These reports are based on the binding ESG elements that the financial product commits to, which are transparently disclosed in the pre-contractual disclosures of the respective financial product.

The EET is the official FinDatEx data exchange template for ESG data, and it references ESG data as defined by applicable EU regulation (SFDR, Taxonomy, IDD, MiFID). While the use of the EET is not compulsory, we recognize the relevance of it for our clients. Additionally, we foster the development of standards in the ESG field, as we believe this not only increases transparency but also ensures a good allocation of our resources. In 2023, we have extended the scope of EET data fields, for which we provide information to our clients on a regular basis. We now include information related to the so-called Principal Adverse Sustainability Impact indicators and transparently disclose values, as well as data coverage related to these indicators. Such information is provided at fund level on a regular basis.

Engaging in a dialogue with our clients and stakeholders
Our communication with clients is always focused on their needs. Our goal is to provide relevant information to clients about our investment strategies. This allows clients to remain informed about market events and enables them to choose the products and services that best fit their needs.

Providing access to our views
Clients are able to access our views as well as information on the products and services we offer through digital channels, including email, website, video platforms, webinars, and social media. Our Relationship Managers and Client Portfolio Managers are responsible for our direct interactions with clients through regular calls, in-person meetings, and attendance at proprietary and industry events. They provide our clients with appropriate information and regular updates that may also directly involve our ESG specialists.

→ A selection of our most recent content and publications are available on our website. Find more under vontobel.com/insights.

A direct dialogue to address client needs
A direct dialogue to address client needs is a crucial aspect of our approach. The role of our relationship managers is to identify clients' needs and investment objectives, including those related to ESG. These conversations are vital in ensuring that our offerings effectively meet the requirements of our clients.

As an example, we further evolve our ESG reports for mandates following conversations with clients. In September 2022, ASIP, the Swiss Pension Funds Association, released new ESG reporting standard (Swiss Pension Funds Association). The aim of this standard is to create transparency about the degree of goal achievement with the help of comparable and meaningful key metrics, both qualitative and quantitative. Additionally, it aims to achieve regular progress measurement, enabling comparison with other investors, as well as consistency in reporting that ensures comparison over time. Our discussions with Swiss pension funds confirmed the evolving need for compliance with these standards. In addition to that, the new ASIP ESG reporting standard includes the metrics of the Swiss Climate Scores.[1] Consequently, in 2023, we initiated a project to ensure that our ESG reports for mandates align with these new standards.

FT Moral Money
Since 2022, Vontobel has been an advisory partner to the Financial Times Moral Money Forum and is participating in the FT Moral Money Forum's Advisory Board. The FT Moral Money Forum examines important issues in the ESG debate and highlights the macro and philosophical questions involved. It also explores and presents different solutions being developed by participating organizations. Through the advisory partnership, Vontobel has two seats on the Advisory Board, which gives us the opportunity to help shape the topics covered in the Moral Money reports.

Christel Rendu de Lint, Vontobel Co-CEO and Head Investments, explored the topic of nature and biodiversity in the November 2023 report from the FT Moral Money Forum. The edition asked why the natural world underpins the future of business, arguing that the dire threat that losses in nature and biodiversity pose to humanity are equally critical for business and finance.

The articles can be found under am.vontobel.com/topics/type/vft-moral-money-forum

1 More information about Swiss Climate Scores can be found on page 29.

ESG within our six investment teams

Equities

Quality Growth
CHF 20.8 B AuM

Investment approach
Companies with attractive economies that we believe can sustain superior and more durable rates of earnings growth.

Focus products
Global, US, international, and emerging markets equities

ESG research is an extension of Quality Growth's philosophy of long-term thinking and fits seamlessly into the existing research process. The team focuses on material issues rather than broad ESG scores, which enables them to understand and get ahead of risks that can jeopardize earnings predictability. ESG data that is integrated in the models and part of the research process is continually reviewed and enhanced. Since Quality Growth's inception, engagement has been a critical part of the investment process and standard practice is that all proxies are voted with full independence. The team establishes ESG engagement campaigns that cover themes such as gender diversity at board level, biodiversity, or GHG emissions. Through these engagement activities, companies are encouraged to enhance disclosure, documentation, and set goals for the long term.

Conviction Equities
CHF 14.0 B AuM

Investment approach
Companies with strong quality characteristics, solid sustainability credentials, and exposure to secular trends.

Focus products
The Conviction Equities team offers products managed by three teams focusing on different universes: Swiss, Emerging, and Impact and thematic global equities.

The three teams integrate the various sustainability tools from our common toolkit into their respective processes, consistent with each strategy's objectives and universe's characteristics. They all screen and exclude companies from their investment universe that don't meet minimal business-practice requirements. In addition, our Swiss and emerging equities teams apply a proprietary sustainability analysis and a materiality assessment to seek out quality investments. This results in an initial investment thesis that's either validated or allows them to readjust their thesis. Our impact products, managed by the Impact and thematic teams, have a different objective: investing in solutions contributing to overcoming global challenges like climate change, scarcity of resources, food distribution, and population growth while generating an excess financial return versus the overall market (what we call "double dividend"). In order to do so, they cluster companies along different and consistent sustainability pillars and identify the key challenges to overcome for each of them in order to achieve a more sustainable outcome, as well as the key metrics to measure progress. They then use those metrics as part of their selection process (proprietary impact strategy assessment score). These impact portfolios disclose both financial performance as well as relevant impact metrics in a transparent and comprehensive way.

Source: Vontobel, as of 31.12.2023.

Fixed Income

Fixed Income
CHF 17.9 B AuM

Investment approach
Capitalize on anomalies in the bond markets where we see the highest potential to harness enduring value.

Focus products
Corporate, emerging markets, global and Swiss bonds

In the Fixed Income team's strategies, ESG factors are considered in the fundamental risk analysis of countries and companies for all portfolios. By doing so, we aim to mitigate potential negative rating actions, and so make better investment decisions. Country analysis for government issuers considers macro data, political analysis, and ESG factors to evaluate their impact on a country's credit rating. Data from recognized ESG research agencies is used, and our own specialists conduct further research. In our sustainable products, we aim to align our investment decisions with sustainable challenges in the social and / or environmental space. Our Green Bond strategy focuses on environmentally sustainable projects, such as solar energy and low carbon transportation, that make a measurable contribution to climate change mitigation.

TwentyFour
CHF 18.8 B AuM

Investment approach
Targeting the right investment solutions through the economic cycle, with a focus on strong risk-adjusted returns and capital preservation.

Focus products
Asset-backed securities (ABS), multi-sector and short-term bonds

TwentyFour sees ESG considerations as a financial risk to its investments like any other. Every strategy at TwentyFour is run to a uniform ESG standard, an approach known as ESG Integration. ESG is embedded into their regular investment process; the portfolio management teams are responsible for performing a thorough ESG analysis on every investment they make. TwentyFour actively engages with companies as a key factor for fixed income investors and publishes engagement activities on its website and in regular client reporting. It is a signatory to the UK Stewardship Code 2020 and the UN PRI.

Source: Vontobel, as of 31.12.2023.

Multi Asset

Vontobel Multi Asset
CHF 12.7 B AuM

Investment approach
- Allocation and security selection across equities, bonds, and alternatives
- Calculate risk to protect and grow capital.

Focus products
Fundamental multi- and single-asset

ESG Strategy Team supports the Global Balanced Solutions in identifying companies that adhere to the binding minimum ESG standards. For example, certain arms manufacturers are excluded based on the exclusion lists of the Swiss Association for Responsible Investment (SVVK-ASIR) and Vontobel, thus, safeguarding the portfolios from adverse controversies. The ESG analysis is performed by experienced ESG specialists, whose expertise is recognized by external agencies. The best-in-class approach remains a key pillar of their multi-asset offering, with more stringent requirements for companies in critical sectors and customized solutions applying individual values-based exclusion criteria.

Quantitative Investments
CHF 19.8 B AuM

Investment approach
Leading quantitative investment solutions based on deep data, cutting-edge technology, and diverse talent.

Focus products
Systemic and hybrid multi-asset, quantitative single-asset

Quantitative Investments has developed a proprietary ESG process. It excludes companies based on normative as well as negative criteria and includes the active exercise of voting rights. ESG integration, the heart of the process, is where our proprietary Quantitative Investments ESG rating and the Quantitative Investments Climate score come into play. They enable us to determine the financial relevance of ESG factors with the aim of making forward-looking investment decisions and evaluate the impact of climate factors. To ensure that our clients can invest in alignment with their preferences, we offer flexible and tailored investment solutions.

Source: Vontobel, as of 31.12.2023.

How we leverage ESG data for investment insights

Different sources of information factored into ESG tools and methodologies
We have access to a broad range of data sources. We typically do not rely on a single source of information, and we strive to build a holistic picture of trends and companies. On top of data directly made available by issuers and publicly available data, we use data from various other sources, including leading ESG data providers like MSCI ESG or Sustainalytics. Where we identify a need, we may use a local or a specialized ESG data provider to enhance our insights.

In some cases, the information we gather from these conventional data sources is not sufficient. Thus, fact-finding engagements may be conducted directly by our investment specialists and ESG analysts. This involves actively requesting information on ESG aspects, either where such information is not available at all or where insufficient information has been provided in response to our questions. This allows us to make better-informed decisions.

Informed by third-party ESG data, our dedicated ESG analysts, who are embedded in our investment teams, develop tools tailored to investment strategies, asset classes, and geographies. The processed information then informs acquisition, monitoring, and exit decisions. Through this setup, we ensure that our investment decisions are taken with appropriate expertise.

For instance, our Quality Growth research team includes analysts who previously worked as investigative journalists. Their role is to help the investment team build a deeper knowledge of the risks and opportunities facing company management and investors. They enable our investment team to go deeper and source information beyond traditional data sources.

ESG service providers
We use services of external leading providers in their field. It allows us to access high-quality resources and expertise to make better investment decisions and support our business.

ESG data providers[1]
- MSCI ESG
- Sustainalytics
- Refinitiv
- Inrate
- RepRisk
- SynTao Green Finance
- ISS ESG
- Ceres
- Carbon4Finance

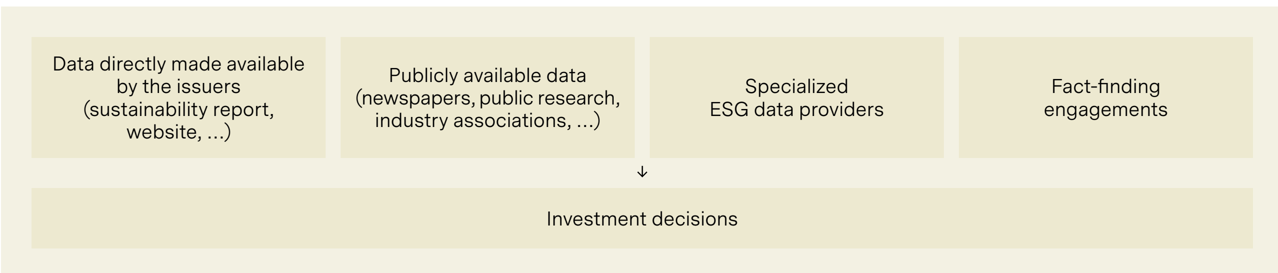
We also have access to ESG data on broader data platforms such as Factset and Bloomberg.

Voting and engagement service providers
- Responsible Engagement Overlay (reo®)
- Sustainalytics
- Institutional Shareholder Services (ISS)
- Ethos

→ More information about our voting and engagement service providers can be found in the dedicated section on page 21, and an interview with one of our active ownership partners can be found on page 44.

→ Read more about how we monitor service providers on page 76.

Our main sources of information



[1] Our investment specialists select the data providers based on their investment strategy (e.g., regional coverage). For the avoidance of doubt not all providers are used for all financial products.

Spotlight on four initiatives related to ESG data

Investing in our own ESG data platform
One of our priorities for 2023 and beyond was and continues to be to further invest in our ESG data platform. This project has three key objectives:

- Centralize ESG data and establish a database that serves as the single source for ESG data and is governed by overarching data governance processes. By doing so, we can provide access to such information even more easily.
- Improve ESG data quality by conducting quality checks across multiple sources.
- Make the use of ESG data even more efficient and reduce manual interventions.

As of the end of 2023, the ESG data platform was established and made available for use with a board set of ESG data points. In 2024, we will not only further expand the data set available on the data platform but also further improve the processes around the use of ESG data, such as reporting and analysis.

Contributing to the development of the Swiss Climate Scores
Switzerland and its financial market participants are committed to transitioning to net-zero greenhouse gas emissions (GHG) by 2050. Honoring this commitment requires decreasing GHG emissions to limit global temperature increases to well below 2°C and pursuing efforts to limit it to 1.5°C. To achieve this goal, the Swiss Federal Council launched the Swiss Climate Scores with the purpose of improving climate-related financial disclosures, assessing the alignment of investments with the Paris Agreement, and fostering investment decisions that contribute to reaching climate goals.

The Swiss Climate Scores are a set of six current-state and forward-looking indicators applied to financial products: GHG emissions, exposure to fossil-fuel activities, investee companies' verified commitments to net-zero, management to net-zero, credible climate stewardship, and global warming potential. The federal government recommends applying them to all investment products and client portfolios, where appropriate. Primarily, they are intended to be used by asset managers, banks, and insurance companies for their institutional and private clients. As of the end of 2023, the Swiss Climate Scores are disclosed on a voluntary basis.

Vontobel is actively participating in several working groups that support the Secretariat for International Finance (SIF) in developing the Swiss Climate Scores, including the one from the Swiss Bankers Association (SBA) and the joint one from the Swiss Sustainable Finance (SSF) and Asset Managers Association (AMAS). Since its launch, the feedback from relevant stakeholders (financial sector experts, methodology providers, NGOs, and academia) has been discussed and integrated into a new draft, released in June 2023; a further update on the revision of the Swiss Climate Scores was published in December 2023. Vontobel is one of the early adopters of the Swiss Climate Scores and offers dedicated reporting for selected products and on request. A wider adoption is expected in 2024.

Fostering disclosure on Impact Pillars
Our Listed Impact Equities team sent out a survey in April 2023 to the portfolio companies with a list of impact indicators we expect them to disclose, which we used for our impact calculator in this report. 46 companies took the time to thoroughly answer our survey, including further exchanges with companies that provided limited data. The relevant environmental metrics for the portfolio companies, mainly linked to their products and services, were applied where data was available or could be estimated. We aimed to obtain the most recently available environmental data from the invested companies either via engagement or directly from their website where possible; for over 90 percent, the data is from the company's fiscal year 2022.

Participating in a beta program on biodiversity related data
Our participation in the program led by Bloomberg is dedicated to enhancing ESG data, specifically focusing on biodiversity metrics. The program's goal is to ensure that Bloomberg's solutions align with market needs and lay a robust foundation for future advancements in the area of biodiversity-related data. This foundation will be especially important in supporting investor materiality assessments and supply chain impact evaluations. We joined the program in 2023, with the official start in February 2024.

Oversight

Risk management framework

Risk management for our Institutional Clients segment is carried out by independent risk teams of over 50 employees[1] mainly located in Zurich, Luxembourg, and London.

→ More information about our risk management related processes can be found on page 72.

What are sustainability / ESG risks?
We define sustainability / ESG risks as an environmental, social, or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. More broadly, they refer to any negative financial impact on the institution stemming from the current or prospective impacts of ESG factors on its counterparties or invested assets.

Vontobel identifies sustainability / ESG risks as a driver of existing risk categories, both investment and non-investment risks, rather than a fundamentally distinct risk category. Sustainability / ESG factors are relevant for all business and risk processes. We therefore identify environmental risks, social risks, and governance risks within our risk management approach.

Environmental risks
Environmental risks are the negative impacts of environmental degradation and climate change (e.g., air pollution, water pollution, scarcity of fresh water, land contamination, biodiversity loss, deforestation), known as physical risks. Further negative impacts originate from the adjustment of policies and actions towards a more environmentally sustainable economy, known as transition risks.

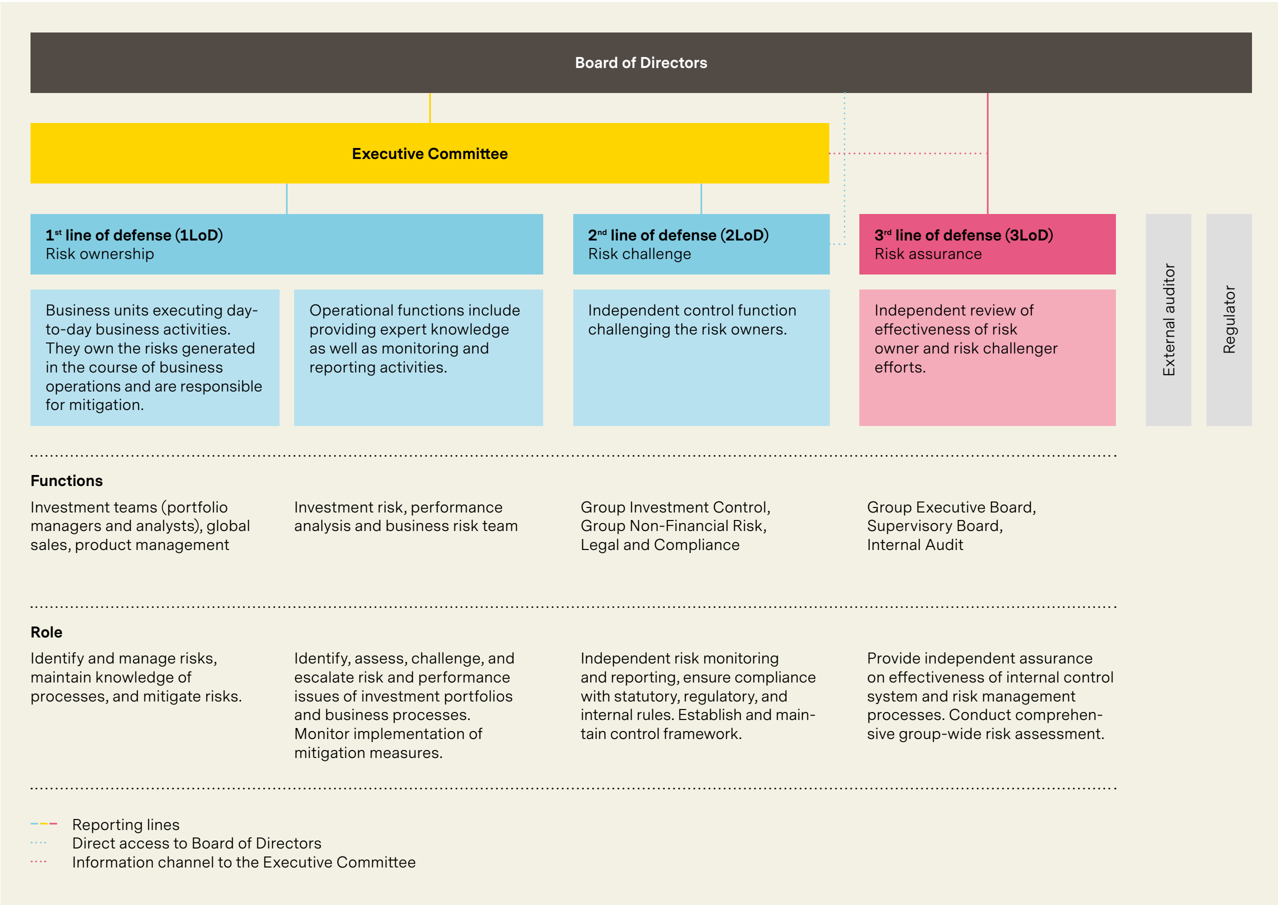
Social risks
Social risks are related to the rights, well-being, and interests of people and communities and include factors such as (in)equality, health, inclusiveness, labor relations, workplace health and safety, human capital, and communities.

Governance risks
Governance risks cover practices such as executive leadership and pay, audits, internal controls, tax avoidance, board independence, shareholder rights, corruption, bribery, and ESG-related policies and procedures.

[1] As of February 2024

Three lines of defense model applied to ESG

Vontobel's risk management organization follows the three lines of defense model, which provides a structured approach to risk management. This model distinguishes three roles: risk ownership, risk control, and risk assurance.



Sustainability / ESG factors are relevant for all business and risk processes, and as such, the identification of possible impacts must be performed across all existing risk categories of the taxonomy (more detailed information on the next pages).

First and second line of defense applied to ESG-related investment risks

In the *first line of defense*, our investment teams, including portfolio managers, financial analysts, and dedicated ESG analysts, are responsible for developing and duly applying the investment process, where the financial product considers ESG criteria. Portfolio managers have primary responsibility for day-to-day risk management. Identification and management of sustainability risks by the first line of defense are integral parts of the investment process. We identify and monitor controversies, informed by our data providers and our own research. During research meetings, our ESG specialists and investment teams take time to discuss current sustainability risks and assess their impact on the portfolio. Such insights inform investment decisions. Also, when it comes to sustainability risks, we believe the tools used by the investment teams should be tailored to the investment strategies, asset classes, and geographies. For example, for some of our products, we also apply exclusion mechanisms and minimum ESG scores at the issuer level. These binding elements are made transparent in the respective pre-contractual disclosures. In addition, our investment teams exercise voting rights whenever authorized to do so and engage with companies in order to improve their business practices, in the belief that this will help generate better long-term risk-adjusted results.

→ The case study on page 35 shows an example how one of our investment teams manages a sustainability risk related topic together with an investor's group.

The fact that our ESG analysts are embedded in our investment teams and work closely together with financial analysts and portfolio managers promotes continuous exchange and know-how transfer. Investment teams can also receive additional training and have access to a large set of resources from research and data providers.

Our Investment Risk team is another first line of defense function that focuses on assessing, challenging, and escalating risks. It monitors the implementation of mitigation measures for investment risks.

The role of our *second line of defense* is to control and challenge the first line risk management efforts. Key functions are Investment Control, Group Non-Financial Risk, Legal and Compliance. A dedicated team in Compliance performs pre-trade checks over portfolio transactions, while our Investment Control function operates post-trade checks.

Pre-trade checks

Our portfolio management system allows us to check compliance with investment guidelines restrictions on a pre-trade basis. The investment guidelines comprise regulatory, prospectus, client-driven, and internal restrictions, including those that are ESG-related. The parameterization of the investment guidelines is carried out by the independent Investment Control unit. Portfolio managers can simulate trades and check each trade against restrictions prior to placing orders to prevent the occurrence of breaches. When submitting orders, an automated check of the investment guidelines restrictions is performed, generating an alert to the portfolio managers, highlighting potential breaches that would materialize in the event that the orders were executed. Trades generating regulatory and contractual alerts are reviewed and validated by Compliance, who would ultimately lift the alerts whenever assessed to not generate any breaches.

Post-trade checks

The independent Investment Control team conducts a daily post-trade review of portfolios using our portfolio management system. Should Investment Control and the respective portfolio manager fail to agree whether a breach has actually occurred, the issue will be escalated to Compliance, Legal and Risk functions. Investment Control and Portfolio Management will be informed about the results of the analyses and the follow-up.

What happens when a breach occurs?

The independent Investment Control team, which reports to the CFO / CRO, controls adherence to the guidelines' restrictions on a daily trade basis. In the event of a breach being detected by Investment Control, the portfolio managers are consulted for clarification, and corrective measures are taken where appropriate, considering the investors' interests. If necessary, issues may be escalated to the investment team's head, the Head Investments Risk Management and Compliance.

Monthly breach reports are produced and circulated to the appropriate stakeholders.

First and second line of defense applied to ESG-related non-investment risks
While the focus of this report is on investment-related activities, ESG risks can also arise, for example, from offering investment solutions. Besides investment teams, other first line of defense functions are responsible for managing ESG risks linked to the product lifecycle and our relationship with clients, such as our sales and product management functions. As a risk-mitigating measure, those functions receive regular training and informative sessions, ensuring that they are appropriately informing our clients about the ESG profile of their financial products.

We have also documented ESG-related processes for areas of the business that could be exposed to ESG risks (especially those related to greenwashing and ESG regulation), such as the preparation of marketing materials and investment communications, pre-contractual disclosures, client reports, and regulatory reports. Such process documentation provides a basis for risk management measures such as reviews and preventive / detective controls conducted by the first and / or second line of defense functions. The risk owners annually confirm that the process and, where relevant, the control documentation are up-to-date and that the ESG risks are adequately mitigated.

Third line of defense
Our *third line of defense* consists of Internal Audit, which reports to the Board of Directors (BoD). Its audit activities are based on the guidelines issued by the Institute of Internal Auditors (IIA), which were declared binding by the Swiss Financial Market Supervisory Authority (FINMA).

Case study:
Building a framework to help investors identify risks through exposure to forced labor

As part of our efforts to identify companies exposed to human rights and the labor force in the Xinjiang region, we have engaged with specialist NGOs and academia to deepen our knowledge of the issues.

In 2023, mtx participated in a closed-door consultation workshop with the goal of developing a framework for investors' use and informing UK government policies on addressing Uyghur forced labor in green technology supply chains. Participants in the consultation were representatives of active asset managers, pension funds, and civil society (NGOs and academia).

Solar panels and EVs are critical technologies for global decarbonization; however, for a just transition, it is necessary to properly assess the wider risks associated with their manufacture, in particular human rights. This is increasingly being dictated by regulation, notably the draft EU Corporate Sustainability Due Diligence Directive (CSDDD) in the EU, setting obligations for which would require companies to mitigate their negative impact on human rights and the environment. the German Supply Chain Due Diligence Act, where companies can face financial penalties for a lack of mitigation practices. And, most influentially, the U.S. Uyghur Forced Labor Prevention Act (UFLPA), which prohibits the importation into the U.S. of all goods mined, produced, or manufactured wholly or in part in Xinjiang, China, or else by companies on the UFLPA Entity List, on the rebuttable presumption that these goods are made with forced labor.

The main takeaways from the consultation workshop were:
- Desk-based due diligence is necessary to better understand the potential risk exposure. Relying solely on ESG data providers or media reports may not give us the whole picture. It is important to look at companies' communications, supplier connections, local government communication, and other sources to understand the wider context.
- To assess the level of exposure to forced labor, it is helpful to understand which tiers of the supply chain and which materials are more exposed to the issue. For example, in the solar PV value chain, polysilicon and metallurgical-grade silicon have a strong linkage to Xinjiang.
- From our experience with Chinese companies[1], we highlight the importance of conducting research and engagement in Chinese, as often companies will report only in Chinese.
- Engagement with China mainland companies can be challenging. Investors need to pose questions carefully to elicit an understanding of a company's exposure, as direct inquiries may prove unfruitful.

For investors, exposure to companies implicated in the direct or indirect use of forced labor, can result in reputational and financial impacts. Impacted companies can now be sanctioned, have their shipments held back in ports for protracted periods, or incur penalties up to 5 percent of global revenues.

The workshop's goal was to develop a risk assessment framework that can help investors and inform policymakers on how to assess companies' exposure to the Xinjiang Uygur Autonomous Region (XUAR) and associated human rights risks. As a result of the collaboration between all parties in the workshop, the lead NGOs thereafter published a guide[2] to provide investors, policymakers, and businesses with the tools on how to mitigate Uyghur forced labor risks in the renewable energy sector.

This guide informed and advanced our own internal risk matrix approach. We continue to collaborate with NGOs, investors' coalitions, and researchers on this topic and further honing our own risk and due diligence frameworks as a result.

[1] Vontobel mtx Viewpoint (2022). How to engage with Chinese companies – local language skills.
See article here: am.vontobel.com/en/insights/how-to-engage-with-chinese-companies-local-language-skills

[2] Please refer to the report Respecting Rights in Renewable Energy: Guidance to Address Uyghur Forced Labor Risks (2024).
investorsforhumanrights.org/respecting-rights-renewable-energy-guidance-address-uyghur-forced-labor-risks

Monitoring of severe ESG controversies

Critical ESG Events (CEE) represent the most severe ESG-related controversies or breaches of international norms. They are often related to Principal Adverse Sustainability Impacts such as significant negative impact on the environment and/or society. Moreover, these instances can signal insufficient management of sustainability risks by a company or a government and excessive harm to society or the environment, which is beyond the tolerance of many of Vontobel's investors and stakeholders. Accordingly, we have a process in place to identify and monitor such instances.[1]

Our assessment is based on ESG data and assessment methodologies provided by external ESG data providers such as MSCI and Sustainalytics[2], and our in-house ESG research. As active investment managers, we conduct our own analysis to assess the impact of such instances on the relevant portfolio and on wider stakeholders. Securities of issuers will be excluded when Vontobel confirms Critical ESG Events and determines that the issuer's activities cause excessive harm to society or the environment, such as through violations of international norms and standards mentioned above, or as a result of involvement in severe controversies, including those related to governance matters. However, Vontobel recognizes that excluding such issuers may not always be the best approach to mitigate the adverse effects of their activities. In these cases, Vontobel will monitor these issuers, where it believes that reasonable progress can be attained, for example, through active ownership activities.

The compliance with such process is monitored through pre- and post-trade checks.

→ More information about this process can be found in our ESG Investing and Advisory policy under vontobel.com/principles-policies.

Identification of Potential Critical ESG Event
- Based on third-party data providers such as MSCI ESG or Sustainalytics
  and / or
- In-house ESG research

Monitoring
- Pre-trade checks
- Post-trade checks

Actions
- For confirmed CEE: an orderly sell-down shall be concluded within three months at the latest of the concluded status of the CEE for all portfolios in scope of this framework.
- Where we believe reasonable progress can be achieved: An engagement program where time for engagement against set objectives is established. During the engagement period, securities can be traded. Portfolio managers are warned however about the possible risk of hard selling in case of an unsuccessful engagement or conclusion of a confirmed CEE.

Governance
Potential CEE are presented to the Delegated Group, which were given the authority by the Investment Management Committee over the process previously mentioned.

1 TwentyFour is an independent operating subsidiary of Vontobel and does not partake in the process relating to CEE.
2 The ESG assessment methodology of such providers typically takes into account international norms, such as:
– UN Guiding Principles on Business and Human Rights,
– the OECD Guidelines for Multinational Enterprises,
– the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work,
– the ILO Core Conventions,
– and the UN Global Compact.
An ESG flag is only triggered when there is a severe violation of these international norms.

Voting and engagement

Voting and engagement

As a signatory to the UN Principles for Responsible Investment, Vontobel commits to being an active owner and to incorporating environmental, social, and corporate governance (ESG) issues into its ownership policies and practices. We believe active ownership adds value between long-term partners. As ESG issues can materially impact the future success of a company and therefore its shareholder value, we see active ownership as an important way to support long-term risk-adjusted returns for investors. This is why leveraging the tools of voting and engagement is one of our four ESG investment principles.[1]

Since 2019, Vontobel has had voting and engagement policies in place, corresponding statements can be found under am.vontobel.com/esg-investing.

1 More information about the four ESG investment principles on page 19.

Voting

Integral to our investment philosophy is the proactive exercise of investors' rights, both for equity and bond holders alike. We firmly believe that ownership comes with a responsibility to safeguard and assert these rights in the best interest of our clients. As such, we participate in voting activities related to corporate governance, executive compensation, strategic decisions, and environmental and social policies. For equity holders, this includes voting on matters such as board elections, mergers and acquisitions, and shareholder proposals. Similarly, for bond holders, we engage in voting on issues such as debt restructuring, covenant amendments, and bondholder meetings. By exercising these rights, we advocate for transparency, accountability, and fair treatment of investors.

Our voting setup

Vontobel recognizes that portfolio management of the assets of clients, which include stocks, may include an obligation to vote in relation to the stock. At the same time, voting represents one of the ways we can express our views.

If authorized to do so, Vontobel will vote in respect of the stock, typically by proxy, in a manner that it reasonably believes to be in the best interest of the client and in line with any specific legal or regulatory requirements in different jurisdictions or markets that may apply.

The scope of our voting policy covers all actively managed funds and discretionary mandates managed by Vontobel, unless we have not been authorized to vote on behalf of clients in relation to the assets managed.[1] Funds and mandates managed based on quantitative investment strategies are not covered by our voting policy. However, they may have a voting setup in a comparable manner.

Use of proxy voting advisors across our investment solutions

Vontobel works with specialist research providers who support portfolio managers with their research and voting recommendations. To ensure that all covered votes are treated, the portfolios of our funds are sent on a daily basis to our proxy voting advisors by our custodian. Recommendations are provided by the proxy voting advisor to the investment teams based on guidelines that have been reviewed and approved by Vontobel.

In some cases, and on specific topics, we may develop tailored proxy voting guidelines with the relevant proxy voting service providers, which provide specialized research on voting decisions.

In 2023, Vontobel was using three proxy voting service providers: Institutional Shareholder Services, Inc. (ISS), Ethos Services SA (Ethos) and Responsible Engagement Overlay (reo®), by Columbia Threadneedle. These service providers are used depending on the focus and active ownership approach of the strategies. For instance, Ethos has been selected for its expertise on the Swiss market and is thus used for our funds that have a focus on Swiss equities. ISS allows us to tailor voting policies, a service we use for our Quality Growth strategies.

Operational aspects related to our voting process

When selecting a voting service provider, we pay particular attention to the voting principles and policies they follow. With this approach, the vote recommendations we receive reflect the convictions of the respective investment strategies. The voting policies of our providers can be found on their websites.

Due diligence of the proxy voting advisors' services is regularly performed on the services used, as described on page 76.

[1] As most of our managed assets are under external custody, we closely collaborate with the external custodians to setup proxy voting. As part of this process, we clarify with the custodian if there is a stock lending process in place and if there is a potential impact on the proxy voting.
Clients' needs related to voting are analyzed on a case-by-case basis. For segregated accounts, clients may have their own voting setup and directly exercise voting rights for listed equities. Alternatively, clients might delegate voting to Vontobel, so that we exercise voting rights on behalf of the clients. The conditions related to these activities will be contractually agreed with the client. For our mutual funds, we do not accommodate stock lending.

Our portfolio managers and analysts can receive alerts of forthcoming shareholder meetings together with the voting recommendations provided by the engaged proxy voting advisors. Portfolio managers and analysts review the voting recommendations, and if they agree with them, no action is required, and Vontobel votes accordingly. In certain cases, they may have a different opinion; for example, the standard recommendation does not match their in-depth knowledge of the company in question and its management, which may have been gained in the context of engagement activities. The portfolio manager can change the vote on an item on the agenda with appropriate documentation, thus providing justification for any choices that deviate from those recommended by the engaged proxy-voting service provider. The overruling process is described in our voting policy. This process ensures that we execute our voting obligations and make decisions in the interests of our clients. The respective management company coordinates these aspects and the related processes.

Asset managers' votes on shareholder resolutions aimed at tackling environmental and social issues are assessed in ShareAction's "Voting Matters 2023" report. Based on the analysis of votes on 257 shareholder resolutions from 2023, ShareAction found that asset managers' support for these resolutions has decreased compared to 2022 and 2021. With a 62 percent score, Vontobel ranked 40 out of the 69 asset managers assessed. We voted in favor of 50 percent of the resolutions analyzed (where we had holdings), while we voted against 28 percent of them. We take the findings of the recent report seriously and are analyzing them along with our overall voting activities to see whether there are areas where we can improve. As a responsible investor, we are committed to continuously enhancing our approach in the ESG space, ensuring our practices benefit both our clients and stakeholders.

Exercising bondholders' rights

When invested solely through fixed income instruments, we do not have votes at companies' annual general meetings (AGMs), but this does not prevent us from engaging on behalf of our clients when we feel this is appropriate. We manage corporate actions such as consenting or not to repurchase offers, bond exchanges, and covenant modifications, among other matters.

Engagement

At Vontobel, we consider engagement to be an important element of our investment activities. It allows us to express our views and expectations towards companies and encourage them to consider ESG aspects.

Reasons to engage

In general, we will engage on any topic as and when we feel it is in our clients' interests. Reasons to engage with an investee company can include business strategy, corporate governance issues, changes in the capital structure, remuneration issues, and identified environmental and social risks. Engagement includes ongoing communications between the investment team and the management teams of investee companies and can range from ongoing updates and questioning of the current and future business model to engagement on specific issues that may cover ESG concerns.

Our analysts and portfolio managers, as part of their fundamental research activities, carry out fact-finding engagements either due to data gaps or to better understand a company's performance and policies. These engagements address material sustainability issues that are relevant to our investment strategies' objectives. As bond holders, we have the opportunity to exchange with the issuers during the bond issuance or restructuring phases and encourage more transparency regarding sustainability matters.

Another reason to seek out an engagement is for areas flagged as key ESG risks that can impact future cash flows, or severe underperformances related to sustainability factors (e.g., human rights, corruption, environmental damage, etc.). We engage in a direct dialogue with our holdings to understand the company's plans to manage and mitigate them. Through these consultations, we aim to encourage companies to improve their (ESG) risk management practices and disclosures by referencing specific areas of improvement where they are needed.

We conduct thematic engagement campaigns related to strategic priorities. These are focused on issues we see across a number of our holdings. The value that may be gained from these campaigns does not need to be a near-term benefit. For example, if a company has high carbon intensity or emissions and does not appear to have a plan to reduce those emissions, it may make sense to engage even if the potential benefit will not necessarily impact the near-term business continuity or performance. At Vontobel, we coordinate our investment teams' thematic engagements efforts through a Vontobel-wide engagement plan. This is meant to guide our interactions with many of our holdings towards a longer-term, objective-oriented, ongoing dialogue on the most pertinent ESG issues.

Methods and forms of engagement

As an active manager, we generally prefer to engage with the management of investee companies directly.

We do not have a standalone engagement team since we believe in direct contact between investee company management teams and investment professionals such as portfolio managers and analysts who have specific expert knowledge and understanding of the context in which the company has been selected as an investment.

We understand this is an iterative process of on-going dialogue and a relationship of trust. We engage with management through a variety of communication formats, including face-to-face meetings, conference calls, emails, and letters.

In addition to direct engagement activities, we also partner with engagement pool providers. We see many advantages in working with a partner on voting and engagement. By pooling the assets in an engagement partner tool, we reach the scale that is necessary to be present and visible to management teams and boards in dialogues and engagement activities. This enables us to exert greater influence than our own investment volume would allow. At the same time, it allows us to target a broader range of companies as we have access to more resources, and we are also able to benefit from specialist resources and experiences. Additionally, it facilitates our collaboration with other investors. The engagement pool providers establish a long-term engagement plan with objectives and milestones, and this persists irrespective of investment inflows and outflows by the provider's clients. In this way, it can take a truly long-term perspective and will maintain regular pressure throughout the life of the issue engagement. Engagement service providers typically report their progress on engagements by a series of milestones, marking events such as companies acknowledging the issue, committing to making improvements, and implementing the improvements. This progress is tracked based on objectives set beforehand. Insights gained from these engagements may be factored into our research process.

Since 2022, we have partnered with reo®. They provide a service that allows investors to receive market-leading corporate engagement on equity and corporate bond holdings. We selected reo® based on their coverage of our portfolios and the quality of services delivered. As part of the criteria for assessing the quality of the services, we looked at the depth of the engagement activities, the processes used (objective setting, progress tracking), and the reporting offered. In 2023, reo® provided their proxy voting services with a 23-year track record and 40+ specialists.

In 2023, we continued our subscription to Sustainalytics' three-year engagement program on modern slavery, which aims to address the issue of forced labor, human trafficking, forced marriage, and child labor. Companies associated with such practices are vulnerable to potential costs and losses due to emerging regulations, government initiatives, and societal expectations. Sustainalytics' engagement program seeks to mitigate these risks by ensuring high-risk portfolio companies implement effective strategies to address modern slavery-related risks. As a participant in this thematic engagement, we are invited to participate in regular conference calls with companies, and we receive ongoing updates and biannual reporting on KPI progress from Sustainalytics. The program targets approximately 20 companies in the construction and manufacturing industries, two of the industries that are most exposed to modern slavery. In 2023, engagements were held with 16 companies. As the three-year program is in its concluding stages, the engagements took the form of final dialogues centered on providing recommendations on key areas and giving constructive feedback. The focus has been put on strengthening their risk management, especially in light of regulatory changes, as Sustainalytics recognizes that in the remaining months, the full engagement goal is not realistically within reach.

Engaging as a bondholder

As a fixed income investor of meaningful size, we engage in sustainability risks and underperformance where possible. We can make a difference either before a bond is issued, if the issuer is eager enough to change our opinion about themselves, or once the indentures need to be reassessed, such as in the restructuring. Additionally, by occasionally taking part in bondholder committees, Vontobel can contribute to fixing relevant issues, which are often driven by ESG misgivings.

Monitoring our engagement activities

We monitor our engagement efforts and follow the company's improvements in key indicators, especially towards their set goals. Such logs of our engagements and company milestones are, depending on the investment team, summarized in our client quarterly reporting. We only remain as investors and engage if we believe the company still meets our original investment thesis and maintains the quality of operations that we require from our investment holdings. If not, we remain ever vigilant of the potential need to have recourse to escalation. Engagement could be escalated through additional meetings with the management and dialogue with the board chairman and non-executive directors.

Where these engagements do not progress in the direction that the investment team believes is in the best interests of shareholders or the shareholding is insufficient for an effective escalation on a standalone basis, other options are considered, including, but not limited to:

- Voting against resolutions at shareholder meetings;
- Collaborating with other institutional investors; and / or
- Selling some or all of the investment in the context of the value proposition of the investment as a whole.

→ A further engagement topic is that of public policy. More information on this starting from page 82.

Interview

with our active ownership specialists from Quality Growth

—
Brian Bandsma
Head of Quality Growth ESG Research,
Vontobel

— What are the similarities and differences between the European and North American approach to active ownership?
I don't think there is much of a difference except maybe a lesser focus on exclusions and a greater use of our influence as shareholders to encourage companies to improve operations. Excluding stocks or industries from a portfolio doesn't necessarily lead to better outcomes. Private capital is readily available and if investors exclude certain stocks, this leads to lower valuations, which eventually make them attractive targets to go private. When companies go private, there is less scrutiny and pressure to improve the sustainability of their operations. Our active engagement approach is about using our position to encourage and support management to work towards reducing their environmental impact and increasing their social impact.

— Quality Growth is close to the US companies. Did you observe some trends during the 2023 voting season in the US market?
In the US, there has been a noticeable decline in shareholder sponsored ESG initiatives. There is no doubt that this has been impacted by the pushback on ESG. However, from our interaction with hundreds of companies last year, we see little slowdown, with companies themselves working towards increasing disclosures and setting targets to improve outcomes. Additionally worth noting is that the track record of so-called anti-ESG initiatives has seen very little shareholder support.

— What were your top engagement topics in 2023?
We have continued to engage in the more impactful areas, such as emissions and biodiversity. We also had several engagements around executive compensation. We continue to focus on making sure that managers interests are aligned with those of shareholders. Executive compensation has risen significantly over the last couple of decades, but too often it is not on a pay-for-performance basis. Variable compensation should be consistent with returns to shareholders.

— Looking ahead: What is your outlook on active ownership for the coming years?
Companies in developed countries have made meaningful strides in improving disclosures around ESG factors as well as setting specific targets. However, there is still progress that needs to be made around auditing and control to reduce greenwashing risks. In some areas, like emissions or biodiversity, third-party data sources are providing more ways to act as a check on company provided data. More data means more risks of lawsuits, fines, or damage to brand reputation. Companies that fail to improve ESG outcomes will increasingly find that there may be a real financial cost.

Interview

with our active ownership partner reo®

—
Lara Kesterton
Head of Sustainability Conviction Equities, Vontobel

—
Karlijn van Lierop
Head of reo®, reo®

— What are the benefits of an engagement pool?
Lara Kesterton: Engaging with companies on ESG issues is a critical aspect of responsible investing, and we believe in the power of collaboration to drive meaningful change. Partnering with a dedicated engagement pool offers us numerous advantages. Firstly, by pooling our assets, we amplify our influence and enhance our visibility to management teams and boards. This collective strength allows us to engage with a broader range of companies, leveraging specialized resources and experiences for more impactful dialogues. Moreover, the long-term engagement plan established by our engagement pool provider ensures consistent pressure on companies to address ESG concerns, regardless of fluctuations in investment volumes. Through regular progress tracking and milestone reporting, we gain valuable insights that inform our research process, enabling us to make more informed investment decisions. Ultimately, the engagement pool model facilitates collaboration among investors, driving positive change on a larger scale.

— How do you ensure your guidelines, which are the roadmap for engagements and voting decisions, match the expectations of your partners?
Karlijn van Lierop: Setting our reo® client engagement program is a collaborative effort, and we proactively capture client priorities through an annual two-stage consultation. We work with the client to establish the priorities and strategy for any given year's engagement agenda, including engagement themes and priority sectors and companies. Our dedicated responsible investment analysts conduct a high-level assessment of a wide range of existing and emerging ESG issues and their potential impacts on investment returns, as well as on the economy, environment, and society. Based on this analysis, we propose projects linked to specific sectors/regions, including any outreach to specific and relevant companies. The second phase of the consultation allows clients to share their views and select their preferred projects. This ensures we build an engagement program that remains aligned with our clients' priorities. In terms of voting, reo® clients can, partly or in full, elect for their own voting policy to be applied. This enables us to accommodate any individual requirements our clients might have.

— Talking about a continuous exchange, what are your needs as an asset manager for this pooled engagement service?
Lara Kesterton: As an active manager, we leverage the tool of engagement based on long-term relationships with our investee companies. However, like any asset manager, we face resource constraints. Therefore, it's crucial for us to focus our efforts on a manageable set of companies. Through reo's pooled engagement service, we can effectively leverage their specialized resources and expertise to engage with a broader range of companies. Direct access to their engagement specialists enables us to delve deeper into ESG issues, going beyond what's typically available in sustainability reports. This access enhances our ability to make more informed investment decisions by uncovering insights that may not be apparent from surface-level data alone.

— reo® as a service celebrated 23 years of track record in 2023. How have your engagement activities evolved, and what are the most recent developments?
Karlijn van Lierop: We are very proud of our +20-year long-standing track record in engagement. Our engagement approach has evolved as emerging best practices become better known and adopted across different markets. This evolution also means our clients are setting tougher expectations for sectors and companies. Our engagement efforts are backed by a research-driven global asset manager, and our RI team collaborates with over 200 fundamental research analysts to identify and engage on financially material ESG issues and opportunities.

Along with our engagement practices, the reo® service is constantly developing, with regulatory change being an important driver. For example, in 2023, we started to map our engagements to Principle Adverse Impacts (PAIs) when we are engaging issuers with poor ESG practices and performance in matters such as human rights violations, labor rights violations, environmental pollution, and corruption.

— Looking back at 2023, what were your highlights on the engagement side? Anything different compared to the past few years? Across your partners, what topics were of special interest in terms of engagement in 2023?

Karlijn van Lierop: We have multiple engagement priorities running concurrently throughout the year. In 2023, a theme of particular focus was deforestation as a major driver of the twin crises of biodiversity loss and climate change. The destruction and fragmentation of forests is the biggest driver of extinctions across the world, and deforestation and forest degradation contribute up to 15 percent of the carbon dioxide emissions caused by human activity. This is primarily linked to the production of commodities, including palm oil, soy, cattle products, timber, cocoa, coffee, and rubber. We have developed a bespoke tool to appraise the quality of deforestation management by issuers involved in soft commodity value chains and have been engaging issuers on policy and procedures, certification, due diligence, indigenous and smallholder support, and risk assessments.

Another focus area in 2023 was the responsible use of artificial intelligence (AI). The development of AI is becoming increasingly widespread as issuers look to automate their decisions and create new opportunities in a data-centered world. While there are vast benefits of AI, including increased efficiencies, there are also risks and harms associated with misuse, which raises questions about the accuracy, fairness, privacy, and security of these AI systems. Regulation cannot keep up with the rapid development of new technologies, and stakeholders are holding issuers responsible and accountable for the responsible development of these technologies. Issuers using AI in their operations and supply chains are potentially exposed to regulatory, reputational, and financial risks such as revenue losses. One of the most significant barriers to the success and adoption of AI is trust, and biased algorithms cause users to lose confidence in issuers and switch to other products or services. The project aimed to encourage issuers to publicly commit to and adopt responsible AI principles in their operations.

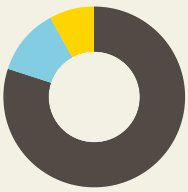
Voting highlights[1]

1,386 meetings

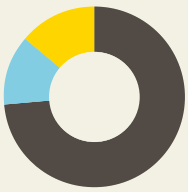
In 2023, we submitted votes at 1,386 meetings, for companies based in different regions, whereby the largest part was based in North America and in Europe. 80 percent of voting items were voted "For", and the remaining items were voted either "Against", "Abstain", "Withhold", "One Year" or "Split". 81 percent of voting items were cast with management. The remaining were either cast against management, voted split, or no recommendations from the management nor votes were expressed.

More information about our voting records can be found under am.vontobel.com/esg-investing.

Vote Cast[2]

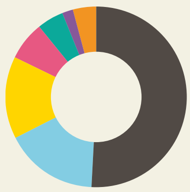


For	80%
Against	12%
Other[3]	8%



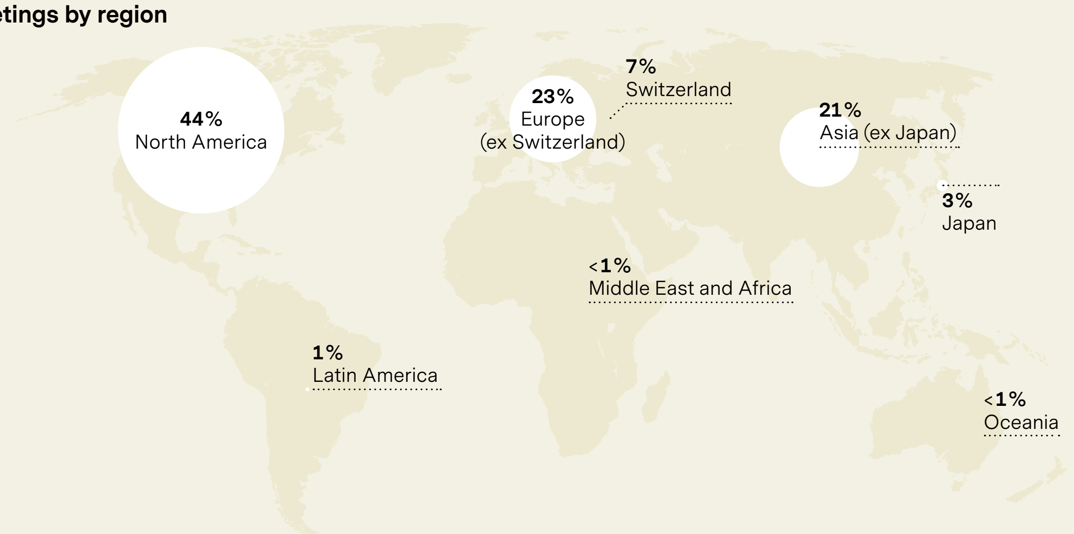
Vote with management	81%
Vote against management	14%
Other[4]	5%

Vote by topic[2]



Director Related	52%
Routine / Business[5]	17%
Compensation	15%
Capitalization	7%
Other / Miscellaneous[6]	5%
Reorganizations and mergers	2%
Shareholder proposals	4%

Meetings by region



[1] Scope of the voting statistics: Vontobel funds where Vontobel is the management company, investment manager and sponsor. White Label funds are excluded from the statistics. More information about the funds can be found under am.vontobel.com/vontobel-funds. Source: Vontobel, Ethos, ISS and reo®. The information presented here shows information across all ballot statuses for a given meeting / voting item, meaning all votes that were submitted on the respective proxy voting platform.
[2] Expressed as per voting item
[3] Includes "Abstain", "One Year", "Split" (not necessarily 50/50 split), "Withhold"
[4] Includes "Split" votes, and votes where the management did not express a recommendation.
[5] Includes audit related items
[6] Includes E&S management proposals, company articles related voting items and miscellaneous voting items.

Highlights of some of our voting decisions

On this page, we showcase a selection of our voting decisions. These illustrate how our policies and our active approach to ESG investing shape our approach to utilizing voting as a powerful tool for catalyzing change. This selection is not exhaustive, and our comprehensive voting records report can be found under am.vontobel.com/esg-investing.

Telkom Indonesia—
Seeking better governance practices and disclosures
by Conviction Equities

As part of our engagement efforts to improve governance and transparency for minority shareholders, we reached out to Telkom Indonesia ahead of the 2023 AGM to communicate our voting rationale on board election, voting against the relevant ballot items.

Despite board appointments being the right of the Indonesian Ministry of State Owned Enterprises, as minority shareholders, we encouraged the company to address this topic by disclosing adequate biographical information about the boards to shareholders in advance of the annual general meeting(s); and by separating the bundled board election proposals to enable shareholders to vote on each director and commissioner individually. Finally, we encouraged Telkom Indonesia to continue to strive for better governance practices, especially with regards to the Board of Commissioners' independence and diversity. It is an important body overseeing the Board of Directors and business activities; therefore, we stressed that composition with a majority independence as well as diversity of gender can support further board effectiveness.

Yum China—
Promising disclosure on emissions
by Quality Growth

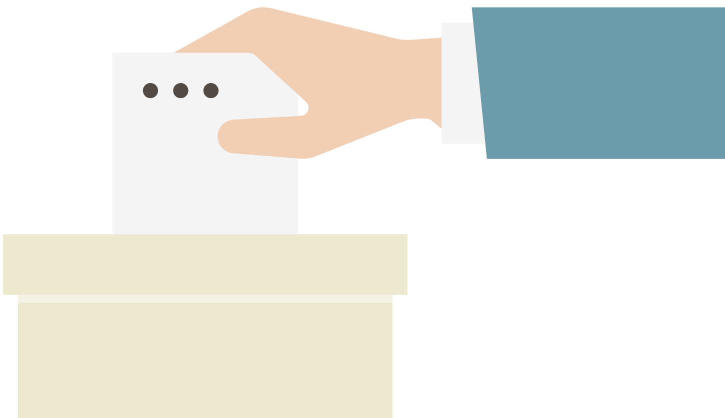
While our custom policy voting recommendation called for us to vote against management, we verify that the company does, in fact, report based on TCFD recommendations and does file with CDP. As we have previously discussed with the company, it has higher carbon intensity because the vast majority of stores are owned, meaning emissions are within Scopes 1 and 2. This contrasts with global peers that are majority franchised, for which emissions are captured under Scope 3.

Techtronic Industry Co., Ltd.—
Emphasizing the importance of an independent audit committee
by Quality Growth

We voted against the proposal to elect Horst Julius Pudwil as Director because the Audit Committee is less than 100 percent independent.

Amazon.com, Inc.—
Reporting on climate change
by Quality Growth

We voted in support of the proposal (against management) to report on the impact of the climate change strategy, consistent with just transition guidelines, because we believe shareholders would benefit from more disclosure on how the company considers internal and external issues related to the transition to a low-carbon economy as part of its climate strategy.



Yili—
Striving for better disclosure practices in emerging markets
by Conviction Equities

We reached out to Yili ahead of the Special General Meeting in Q3 2023 for further clarification on its stock ownership plan for 2023, as there were concerns about the lack of disclosure of performance hurdles and the short lock-up period.

We typically look for best practice disclosure, such as far-reaching performance criteria and vesting conditions, as well as pay attention to the timing of proposal as we expect these to be proposed in line with yearly earnings rather than halfway through the financial year, where performance hurdles can be misguided.

The company explained that the proposed stock ownership plan is not a stock incentive plan or an employee stock purchase plan. The stocks awarded to the employees are not on top of their basic remuneration, but they form part of the remuneration – to be paid partly in cash and stocks. Therefore, it is not required to disclose a performance hurdle, and the one-year lock-up period complies with local regulations. However, there remains concerns about additional expenses and a reduction in net profit during the amortization period. After consideration, mtx decided to vote against management and used the opportunity to share examples of best practices on the A-share market, encouraging the company to follow such best disclosure practices in the future.

Flutter Entertainment Plc—
Highlighting the importance of a diverse board
by Quality Growth

Our policy called for a vote against the re-election of Chair Gary McGann because of the less than 10 percent racial / ethnic diversity (only 1 out of 12 members is a minority). We discussed the issue with the board secretary. Flutter's annual report contained some information about how the Board worked hard to improve gender diversity (e.g., recruiting from a shortlist of only women) but had no specifics on how to improve the racial/ethnic diversity. We discussed our reasoning behind this vote based on our policy and the work to be done by Flutter in this space.

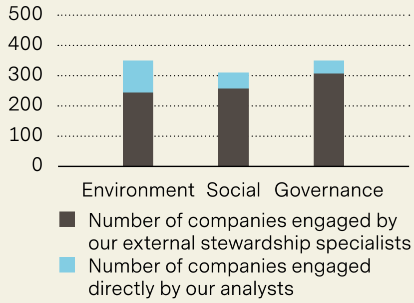
Engagement highlights

657 companies [1,2]

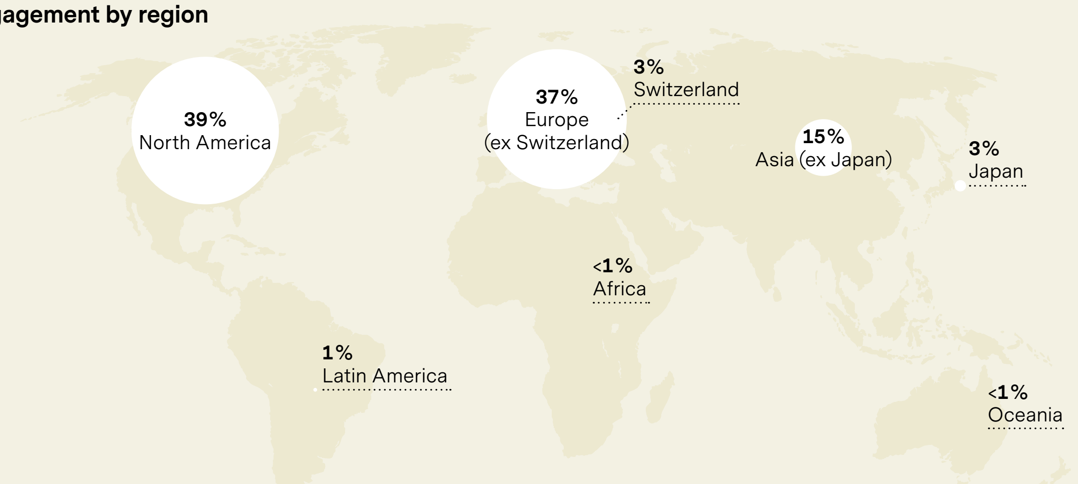
In total, we engaged with 657 companies, either directly (553 companies) or collaboratively using the services of external stewardship experts (118 companies).[3] More information about these collaborative engagement activities can be found on page 41 and a collaborative engagement case study can be found on page 54. For 51 companies, we conducted at least fact-finding engagement activities. An example of such an engagement can be found on page 63. Our engagements tackled environmental, social, and governance-related topics, as displayed on the right, and most engagements took place in North America and in Europe.

Engagement by theme [2,3]

In number of companies



Engagement by region



Highlight of some of our engagements

On the following pages, we provide several deep dives on engagements that took place in 2023.

1 We would like to highlight that these statistics are only comparable to a limited extent to 2021 figures as we have been integrating the engagement activities of our TwentyFour in this report for the second time. More information about TwentyFour's activities in 2021 and 2022 can be found under twentyfouram.com/uk-stewardship-code.

2 These statistics include engagement activities conducted by our stewardship partner, reo®. The figures presented include only companies in which our financial products were invested. This external stewardship specialist engages beyond our investee companies.

3 Expressed as per number of companies. The aggregate of these figures does not equal the total number of companies covered by our engagement statistics for two reasons: 1. some companies have been subject to engagement activities relating to more than one topic. 2. Some companies are both part of our engagement activities and that of our external engagement experts.

Case study

Biodiversity within the healthcare industry

Sector
Healthcare services

Engagement
Individual

Status
Ongoing

Engager
Quality Growth

Issuers
Roche, Sanofi

Engagement type
1:1 Vontobel got in touch with the company directly

Topic
Environment:
– Natural resource use / impact (e.g., water, biodiversity)

Rationale and context
As part of our long-term engagement campaign on biodiversity, we have seen companies facing more material risk from regulatory pressures, massive (and expanding) global consumption, and increasingly stressed agricultural environments. Pharmaceutical companies tend to have high biodiversity footprints due to the use of agricultural commodity derivatives as ingredients. In 2023, we had the opportunity to speak with two global pharmaceutical companies on this subject.

Engagement's objective
We believe this engagement is material for us as investors for two primary reasons:
– To ensure companies are aware of the issues and are working to minimize the intensity of their biodiversity footprints in supply chains.
– To reduce the risk of an efficient company becoming vilified by market commentators simply because it has a large absolute footprint. A large biodiversity footprint does not imply efficiency; the amount of land used or resources consumed for a given output could be much greater under a less efficient producer.

Methods of engagement
Meeting

Leadership level
Operational Specialist and Investor Relations

Engagement process
In 2021, we launched a multiyear engagement program focused on biodiversity. The goal of this engagement program is not only to shed light on portfolio companies with substantial biodiversity footprints but also to encourage action towards minimizing biodiversity impact. Our initial rounds of company meetings focused, for the most part, on education and awareness. Subsequent engagements focused on the progression of companies' plans since the introduction of the campaign. We spoke with a senior biodiversity expert and environmental risk assessor from a Switzerland-based global healthcare company and the investor relations manager from a France-based global healthcare company.

Outcomes
We were impressed by the Swiss company's plans to reduce its broad environmental footprint; biodiversity, specifically, is a relatively new area of focus. The company is still working to catalog its full list of agricultural ingredients and build a process to constantly update it as formulations change. The company recently formed a board-level corporate governance and sustainability committee that is linked to the executive committee and has responsibility for the company's sustainability strategy. Biodiversity is a relatively new priority for the French company. Its management is still working on cataloging the full list of ingredients and sub-ingredients across their product base and through the supply chain. We believe management needs to take a holistic approach, starting with measurement, assessing the detrimental biodiversity impact in manufacturing, sourcing ingredients, and patient disposals. We will continue to engage on this and other topics with all relevant companies in the portfolio.

Next steps
We have a long-term investment horizon, which enables us to build partnerships with management at our portfolio companies. Our engagement campaigns are engineered to track progress over time, helping management and shareholders towards their common goals.

Case study

Carbon emission reductions in real estate

Sector
Real estate

Engagement
Individual

Status
Ongoing

Engager
TwentyFour

Issuers
European residential real estate

Engagement type
1:1 Vontobel got in touch with the company directly

Topic
Environment:
- Climate change
- Pollution & Waste

Rationale and context
We had previously engaged with the company following an acquisition, which resulted in a deterioration in their environmental credentials following years of improvement. This engagement was carried out as part of our Carbon Emissions Engagement Principles, which encourage us to identify issuers with elevated emissions with whom we have an influencing relationship.

Engagement's objective
To understand the plan to address the weaker environmental profile of the acquired assets, how that fits with the broader environmental strategy, and ensure emissions reduction continues.

Methods of engagement
E-mail, meeting

Leadership level
Investor Relations and Senior Executives

Engagement process
Engaged directly with Investor Relations via email and videocall.

Outcomes
In comparison to 2020, Scope 1, 2 and 3 emissions increased by 2 percent in 2022. This rise is primarily attributed to the uptick in emissions from tenants' purchased energy (Scope 3) where electricity was from more carbon intensive sources such as coal. This was well flagged, primarily due to the energy crisis facing Europe but also due to the weaker environmental profile of the acquired portfolio.

Looking at just Scope 1 and Scope 2, emissions declined by 2 percent. This reduction is linked to their energy efficiency initiatives, transition to renewable electricity contracts, and lower district heating emission factors in Czechia compared to 2020.

Looking at 2022 compared to 2021, the company's GHG emissions decreased; however, total Scope 1 emissions increased. This was driven by the acquired portfolio in Germany that we noted, of which many properties use natural gas or oil for heating and are more polluting than their existing portfolio. On the other hand, scope 2 emissions witnessed a significant decline. This is mainly due to the new emission factors for district heating regarding a Czech portfolio, which were much lower than what we previously estimated.

In 2022, the company expanded and developed its Climate Roadmap to include a large number of properties acquired in December 2021 and during 2022 – further approved by the SBTi. These commitments aim for a 42 percent reduction in absolute scope 1, 2, and 3 GHG emissions covering downstream leased assets by 2030 compared to the 2020 baseline.

Furthermore, in the company's annual results for 2023, they reported a 10 percent decline against the 2020 baseline in total emissions (scope 1 ,2 and 3) under the SBTi methodology, highlighting material emissions reduction in 2023.

In addition to their progress on emissions, the company established energy consumption reduction targets of 2 percent annually per square meter until 2025, based on a 2019 baseline within comparable property portfolios, which resulted in an 11 percent decrease in weather-adjusted energy usage per square meter compared to 2021. This achievement was facilitated by local teams' technical expertise in enhancing energy efficiency, despite 2022's energy supply chain challenges and tenant nudging activities.

The company's water consumption goal to reduce water usage by 1 percent per square meter annually until 2030, using 2019 as a baseline, saw a successful outcome with an average 5 percent water savings in targeted buildings due to the installation of efficient fixtures and their customer nudging program - impressive progress in the first year of establishing targets.

On the social side, the company undertook to offer 5,000 apartments as inclusive housing by 2026 (covering affordable housing and social leases), supporting vulnerable groups' access to housing. Additionally, they will offer 240 inclusive jobs by 2026.

Overall, while the headwinds of the acquired portfolio and the energy crisis have hindered more significant declines in overall emissions, management continues to take measures that should result in more meaningful declines in the future. Importantly, in our early engagements, we were pointed to their five pillar plans:

1. Origin-certified renewable electricity,
2. Fuel shifts,
3. Energy provider improvements,
4. Energy efficiency improvements,
5. Encourage tenants to reduce energy.

What we have seen so far, particularly in the latest FY 2023 results, is that all pillars have been acted on and have helped improve the environmental profile.

Next steps
The direction of travel is encouraging; however, we believe more needs to be done to meet the company's 42 percent target and upgrade acquired assets. We will continue to monitor progress and re-engage in 12 months.

Case study

Promoting strong environmental policies and targets

Sector
Financial services

Engagement
Individual

Status
Ongoing

Engager
TwentyFour

Issuers
UK-based bank

Engagement type
1:1 Vontobel got in touch with the company directly

Topic
Environment:
– Climate Change

Rationale and context
We engaged with this bank as part of our ongoing Carbon Emissions Engagement Principles where we have multi-year, ongoing engagements with certain companies to encourage strong environmental actions.

Engagement's objective
To encourage stronger environmental policies and targets in our investee companies.

Methods of engagement
E-mail

Leadership level
Senior Executives

Engagement process
This engagement started in 2021, and we have engaged every year to check on progress and to raise any concerns or queries we have with regards to the bank's policies, actions, and progress with the group treasurer and the investor relations team.

Outcomes
We wanted to see what progress the bank had made to their scope 3 coverage, their reduction targets, and to encourage them to increase their target for sustainable leaders in their business loan book, given they had already achieved their initial target.

The bank has made progress in their scope 3 coverage and now has decarbonization plans covering about 82 percent of the lending portfolio to help towards their path to net zero financing. They said they were committed to addressing the remainder of their lending portfolio in 2023. They have also agreed to increase their sustainable leaders target for the loan book to 10 percent for financial year 2027.

Next steps
We will continue to engage as part of our Carbon Emissions Engagement Principles to make sure they stay on track to deliver on their targets (and to encourage more aggressive targets where needed) and continue their journey to net zero.

Case study

Addressing environmental issues through collaborative engagement

Sector
Commercial Supplies, Construction Materials, & more

Engagement
Collaborative

Status
Ongoing

Engager
Conviction Equities: mtx

Issuers
China Jushi, Shenzhen Yuto, Inner Mongolia Yili, Alibaba, Xinyi, Huaxin, LG Chem, ENN Natural Gas, BB Seguridade Participacoes, Shenzhen Yuto Packaging Technology, Thai Beverages, Arca Continental, and more

Engagement type
A group of investors, including Vontobel, engaged with the company together.

Topic
Environment:
- Climate change
- Natural resource use / impact (e.g., water, biodiversity)

Rationale and context
Carbon emissions was a dominant theme in most of our engagements throughout 2023. We see increasing legal risks to companies that are not preparing for the low-carbon transition, as well as the growing emergence of physical climate hazards as a present or growing danger to costs or operations. We understand the very material systemic risks posed by unabated emissions and the pressing need for companies globally to move towards Paris-Aligned emissions curves for their sector.

Vontobel firmly believes that healthy biodiversity and a robust natural world play a pivotal role in fostering a dynamic and sustainable global economy and a stable geopolitical landscape. As such, mtx increasingly engaged in wider nature-related topics, with water as a dominant pressure point in focus in 2023. Mtx has considerably evolved its in-house tools and know-how to evaluate biodiversity impacts and dependencies. This internal capacity building enabled more targeted and richer conversations on how highly exposed companies are managing their nature risks.

Engagement's objective
We seek to understand the companies short- and medium-term strategies to decarbonize and their stance on the topic of climate and nature risks. Where companies appear to be unprepared in their climate strategy, we aim to maintain consistent pressure and encourage and support progress by sharing relevant material, such as peer positioning or regulatory insights.

Methods of engagement
Meetings, Conference Calls, Emails

Leadership level
Investor Relations

Engagement process
With our objective of gaining insights into the practices of firms in relation to decarbonization, we found the following trends:

1. Some companies are still reluctant to publish emissions data when not required by regulators. Nonetheless, companies often develop internal targets and action programs.
   - We experienced this in our engagements with China Jushi, Shenzhen Yuto, and Inner Mongolia Yili.

2. Regulation is the primary motivator of action. Companies are keeping an eye on when their industry is due to fall under a national carbon emissions scheme and are preparing but not acting today.
   - Alibaba, in preparation for regulatory emissions in the ICT sector, has the target for its own operations to become (scope 1 and 2) carbon neutral by 2030. It expects emissions to continue to rise in the near term and therefore focuses on slowing the rate of emissions growth via energy efficiency enhancements.
   - Xinyi, a Chinese glass manufacturer, and China Jushi, in the glass fiber sector, both noted that their industries were not due to be covered by the China emissions trading scheme, which deflated their emissions reduction pressure.

- Huaxin, a Chinese cement maker, is covered by various ETS pilot projects, but the free allowances are enough that it has no emission credits to purchase, and it doesn't forecast much impact at a national carbon trading level based on its emissions profile among peers.

3. Many companies anchor their net zero ambition to their government's timetable. However, some are more ambitious, especially when faced with lower energy-switching.
   - Like many Chinese firms, Xinyi's net-zero statement is a general one to fall in line with the government's 2060 target and has (only) a 1 percent intensity reduction target for 2023, having already dealt with the low-hanging fruit of solar rooftops and waste heat to electricity.
   - Huaxin also follows the 2060 national target and has made efforts in terms of alternative (to coal) fuel use (now 15 percent) and lowering the clinker ratio, but more expensive measures like carbon capture seem distant without any regulatory pressure.
   - China Jushi, however, plans to be 5-10 years ahead of national targets, and has some investment in renewables (<5 percent electricity use) and some natural gas use was swapped to electricity.
   - Others, like Longi Green Energy (a Chinese solar PV manufacturer), target zero-carbon operations as early as 2028.

4. Scope 3 of carbon emissions is a notable challenge for many of our engagers.
   - Alibaba, whose scope 3 emissions dominate overall emissions, has developed a pioneering measurement approach with data disclosure in 8 out of 15 categories of scope 3 emissions. In our engagement, Alibaba discussed the difficulty of cost-efficient solutions in scope 3. One solution is to promote sustainable consumption via its carbon ledger platform, which provides information on the carbon footprint of currently 1.8 million products. The aim is to promote awareness and green behavior and consumption among merchants and consumers.
   - Others, like Xinyi, note that they struggle to obtain carbon data in both their upstream and downstream value chains, thus impeding the challenge of tackling scope 3 emissions.
   - LG Chem, a Korean chemical company, has a commitment to set an SBTi net-zero target and is incorporating scope 3 emissions, but faces challenges in upstream feedstock emissions.

5. Several companies take the approach of divestment from high-emitting business parts as part of their decarbonizing strategies.
   - LG Chem sells off old, dirty plants.
   - ENN Natural Gas, a Chinese utility firm, has sold its coal business and is planning to sell its methanol business. 90 percent of its energy use comes from coal, and it has meaningful (intensity) reduction targets. More specifically, 10 percent by 2025 for natural gas distribution and 20 percent by 2025 to 50 percent by 2030 for natural gas production. It is building a carbon-neutral LNG terminal and other innovations for cold energy utilization. These are used to support clients with their own net-zero targets.

6. Physical risks of climate change are addressed by many companies, as climate hazards are no longer some distant threats. We also see this topic increasingly being discussed in sustainability reports.
   - For companies like Xinyi, this was being addressed through proactive insurance coverage.
   - For insurers, such as BB Seguridade Participacoes from Brazil with large agriculture coverage, the discussion was on how they diversify their exposure to climate hazards.
   - China Jushi said climate risk is most relevant when selecting a new plant location, whereas for existing plants, it mitigates acute climate hazards by improving the stability of factory construction, drainage, and ventilation capabilities through good engineering design to ensure the safety of facilities and employees.
   - Longi's plant in Yunnan province, a water scarce area, was powered by coal which requires high water use for cooling. It made this plant 99 percent renewable powered and so more production secure even in times of drought.

7. For nature-related risks, the most pressing topic that repeatedly came up was the importance of water management.
   - With Shenzhen Yuto Packaging Technology, the discussion was at data collection and disclosure level.
   - For water intensive businesses, such as Inner Mongolia Yili (Chinese diary producer), Thai Beverages (beer & spirits company), and Arca Continental (soft drinks esp. Coca-Cola), we discussed their targets and plans on water consumption and water risk management. For these companies the conversation moved to the discussion of regenerative agriculture practices and actions for replenishment of watersheds.
   - In the case of Arca, it has taken several actions to mitigate its operational impact and contribute to healthier ecosystems in the region of activity. It has ratcheting targets for water input and beverage output ratio and seeks full recyclability of operational water use. It offsets its consumption of water that cannot be recycled by investing in solutions that restore watersheds within Mexico in partnership with NGOs and the government. They adopt a dynamic production approach whereby plant capacity shifts in response to water stress / surplus across the different operating locations. Thereby, they can respond to the seasonality of water availability.

Outcomes
The output of these conversations is to show our concern on these topics and inform them that these answers are important to us as investors and in our investment evaluations. We firmly believe that these conversations, together with those of other investors, provide compounding pressure that can have the power to influence and accelerate climate and nature positive action. In these many and varied conversations, we learned about their strategies and the quality of management on the topics. We note the large spread of positioning from defensive positions on disclosure to full SBTi-approved net-zero plans. The impact of regulatory pressure is clear, but we also see how larger (and foreign market facing) firms are more progressive even without strong regulatory drivers.

Next steps
Our 2024 engagement plan will continue to have decarbonization as a dominant theme. For companies where their climate answers were insufficient, we plan to continue to apply pressure as well as more supporting reasons for action. Mtx has built a carbon transition assessment framework, based on the structure and advice of TCFD and a biodiversity assessment framework utilizing TNFD, among other sources. We will use these assessment tools to inform more structured and progressive conversations in the year ahead.

Case study

Controversy flag due to gas explosion

Sector
Gas network operators

Engagement
Individual

Status
Ongoing

Engager
TwentyFour

Issuers
UK-based gas network operator

Engagement type
1:1 Vontobel got in touch with the company directly

Topic
Social:
- Conduct, culture, and ethics
- Human and labor rights
- Public Health

Governance:
- Board effectiveness

Rationale and context
We were reviewing the business ahead of their new issue. While we liked the credit from a fundamental standpoint, a recent controversy was cause for concern.

The background of the controversy was the fatality following a gas explosion from one of the company's pipelines and it was claimed that prior to the incident 18 calls were made from nearby residents about the smell of gas which were not addressed by the company. Given the severity of this controversy we decided to engage.

Engagement's objective
We engaged on a number of points related to this, but mainly why it happened, remedial efforts, community support, and the size of the potential future financial liability. We wanted to establish whether the incident was the result of deeper governance issues, particularly given the allegations that efforts were made to report the issue to the company but were not acted on.

Methods of engagement
Meeting

Leadership level
Investor Relations and Senior Executives

Engagement process
We communicated our concerns to the company at their roadshow and through the syndicate.

Outcomes
The incident is still under investigation by the police and the company; therefore, management could not comment on any further details. Additionally, due to the early stage of the investigation, it is not possible for management to reliably estimate the financial impact or timing of any future liability.

We believe too many unknowns remain, and we remain particularly concerned that there may be governance issues that led to customer concerns being ignored.

While this was not necessarily the outcome we were hoping for, it was highly informative for our ESG analysis and investment decision.

Next steps
Following our engagement, we decided not to invest in the company at this stage and will re-engage with the company.

Case study

Western semiconductor products found in Russian missiles

Sector	Engagement	Status
Semiconductors & Equipment	Individual	Concluded successfully

Engager
Conviction Equities: Impact Investments

Issuers
NXP Semiconductors

Engagement type
1:1 Vontobel got in touch with the company directly

Topic
Social:
- Human and labor rights (e.g., supply chain rights, community relations)

Strategy, Financial and Reporting:
- Corporate reporting (e.g., audit, accounting, sustainability reporting)
- Firm strategy/purpose
- Risk management (e.g., operational risks, cyber/information security, product risks)

Rationale and context
According to a report from the Royal United Services Institute ("RUSI"), NXP products were identified in weapons used by Russia in the Russia-Ukraine war that ensued in February 2022. NXP products highlighted in the RUSI report include (i) general purpose microcontrollers and (ii) pressure sensors.

Engagement's objective
- Ensure that NXP adheres to all minimum social safeguards and does no significant harm according to SFDR, the UN Global Compact and OECD guidelines.
- Reconfirm and deepen our understanding of NXP's products, their application, and NXP's distribution network.
- Understand how NXP has adapted in response to emerging risks, especially the decline of adherence to human rights on behalf of the Russian state.

Methods of engagement
E-mail

Leadership level
Investor Relations and Senior Executives

Engagement process
We sent an e-mail to the NXP IR, CSR and EHS teams in August 2023, requesting answers or statements regarding their human rights practices, including a dedicated policy, risk assessment, risk management, governance and due diligence. Especially in the context of the Russian invasion of Ukraine and the release of the RUSI report.

Outcomes
- No NXP product is designed for military use or weapons manufacturing. What Russian weapons manufacturers have obtained are entirely generic products.
- Some of the mentioned NXP products are old. Their presence in Russian weapons is an understandable consequence of the fact that until 2014, trade with Russia was normal, and even as of today, few NXP products are under any export control.
- NXP has taken a suite of actions to complement its routine audit and evaluation procedures. This included an investigation to trace the mentioned products from NXP to the Russian weapons manufacturers. NXP has also ceased all operations in Russia as of February 2022. NXP's general trade compliance measures include preemption, monitoring, and audit. NXP educates the distributors on human rights and the importance of trade compliance.
- Our assessment of NXP's conduct reflects that it is a responsible company that is compliant with all relevant laws, rules, regulations, and norms. NXP has a comprehensive and robust approach to managing human rights risks. NXP is prudent, as they voluntarily refrain from doing business even in partially embargoed countries. The mention of NXP in the RUSI report is not evidence of wrongdoing or a violation of any norms.

Based on all these findings and our overall assessment, we consider NXP to be compliant with the UNGC and OECD guidelines. Therefore, we reiterate our positive view of NXP and remain invested in the company.

Case study

Assessing activities related to military contracts

Sector
Commercial Services & Supplies

Engagement
Individual

Status
Concluded successfully

Engager
Conviction Equities: Impact Investments

Issuers
Tetra Tech

Engagement type
1:1 Vontobel got in touch with the company directly

Topic
Social:
- Conduct, culture, and ethics (e.g., tax, anti-bribery, lobbying)

Strategy, Financial and Reporting:
- Corporate reporting (e.g., audit, accounting, sustainability reporting)

Rationale and context
Assessment of a possible application of the Danish export ban on any export of weapons to Saudi Arabia and military-related activities of TTEK more broadly.

Engagement's objective
We want to understand the type of engineering services TTEK carries out on behalf of several departments of defense.

Methods of engagement
E-mail, meeting

Leadership level
Investor Relations and Senior Executives

Engagement process
We approached the company via e-mail in April 2023, asking for further details on such kind of services. What kind of activities do their engineering services comprise? Do they implicitly contain any weapon-related services?

Outcomes
They carefully replied to our questions. In addition, we had a one-hour conversation with company executives in June. This made it clear to us that TTEK is a specialized provider of civil engineering services, typically for purposes such as water management, environmental protection and remediation, energy production, climate change mitigation, disaster recovery, ice engineering and winter roads, government IT, etc. TTEK does not manufacture weapons, components of weapons, or dual-use military equipment.

Based on all these findings and our overall assessment, we believe that TTEK is an impactful company, complying with all our internal guidelines and adhering to the SFDR requirements of a sustainable investment. Therefore, we reiterate our positive view of TTEK and remain invested in the company.

Case study

Promoting gender diversity of the board

Sector
Financial services

Engagement
Individual

Status
Concluded successfully

Engager
TwentyFour

Issuers
Large UK-based bank

Engagement type
1:1 Vontobel got in touch with the company directly

Topic
Social:
– Human capital management
(e.g., inclusion and diversity, employee terms, safety)

Rationale and context
We engaged with this bank because they did not meet the FCA target to have 40 percent women on their board.

Engagement's objective
We wanted to establish what this bank was doing to address their board representation issues, and to stress to them the importance of DE&I and good representation for us as investors.

Methods of engagement
E-mail

Leadership level
Investor Relations

Engagement process
We reached out to investor relations directly and we received a quick and thorough response from the team.

Outcomes
We were pleased with the prompt and explanatory response from the bank. The bank advised that they were intending to address the issue promptly and be compliant with the target by the end of the year. We learned in Q3 2023 that they had appointed two women to the board; they now have 50 percent female board members.

Case studies

Fair executive remuneration

Sector Professional Services	**Engagement** Individual	**Status** Ongoing

Engager
Conviction Equities: Swiss Equities team

Issuers
Adecco

Engagement type
1:1 Vontobel got in touch with the companies directly

Topic
Governance:
– Remuneration

Rationale and context
We believe remuneration is appropriate when it is aligned with that of a peer group and does not exceed a predefined amount. Adecco was one of the companies where we identified potential for improvement. In fact, the total variable remuneration of the executive management corresponds to 467 percent of the base salaries, which largely exceeds our predefined limits.

Engagement's objective
The objective of our engagement activities was to raise awareness on the topic of remuneration with senior executives of Adecco and to trigger improvements to their remuneration structure. More specifically, we believe that the total variable remuneration of the CEO as well as that of the other executives should be in relation to the base salaries.

Methods of engagement
Meeting

Leadership level
Senior executives

Engagement process
In February 2023, we addressed the remuneration topic in a one-on-one meeting with the Chairman. During this meeting, we brought up our main argument, which is that the CEO's compensation is excessive in comparison to Adecco's peer group. The Chairman did not agree with the selected peers used to benchmark Adecco. Additionally, he proposed a discussion with the Chair of the Compensation Committee. Unfortunately, this did not materialize due to scheduling conflicts.

Following our and other shareholders' feedback, Adecco provided additional context in the form of a shareholder letter ahead of the AGM on their remuneration decisions and committed to rebalance and align their CEO pay closer to shareholder expectations. More specifically, the base salary of the CEO was adjusted downward by 13 percent (from CHF 1.5 million to CHF 1.3 million). In addition, the variable remuneration was adjusted upwards to 72 percent (from 69 percent) at target. A first successful step was reached.

At Adecco's AGM in April 2023, only 56 percent of its shareholders approved the Remuneration Report 2022. While Adecco made commitments to rebalance the CEO pay, we decided to vote against this voting item as there are other aspects that still do not correspond to our expectations. For example, the maximum amount that can be paid out in case of overachievement of targets significantly exceeds the amount requested at the AGM because the amount requested excluded the leverage of the long-term plan. Therefore, there is a possibility that the remuneration that will be paid out exceeds the amount approved by the shareholders.

Outcomes
Adecco has been proactive by writing the shareholder letter prior to the AGM and has made some improvements in regards to their executives' remuneration. However, this is only the first step.

Next steps
As a next step, we will address this issue again in a meeting with the Chairman at the beginning of 2024, and we aim to set up a meeting with the Chair of the Compensation Committee. More broadly, we will continue to address remuneration issues with Adecco's board members on a regular basis in order to succeed in further aligning the remuneration with shareholder expectations.

Sector
Diversified Financials/ Restaurants

Engagement
Individual

Status
Ongoing

Engager
Quality Growth

Issuers
LSEG, Yum China

Engagement type
1:1 Vontobel got in touch with the company directly

Topic
Governance:
- Remuneration

Rationale and context
We are seeing companies becoming more proactive and reaching out to us for further conversations around establishing or evolving sustainability goals. In both instances, the company reached out to us to discuss their executive compensation plans.

Engagement's objective
At Quality Growth, as a guideline, we look for total executive compensation to be below 2 percent of pre-tax profit. However, we do recognize that specific circumstances warrant deviations from time to time. Hence the need for direct engagement.

Methods of engagement
Meeting

Leadership level
Investor Relations and Board directors

Engagement process
The US stands apart from all other countries when it comes to the level of compensation, whether measured relative to revenues, profits, or median wages. Non-US companies operating in the US face the challenge of having to sometimes pay US-based executives more than those more senior back home. History provides plenty of data to indicate whether elevated pay and share-based compensation have been beneficial to shareholders. As stewards of our clients' capital, it is our ongoing responsibility to monitor executive compensation across all portfolio companies. In these specific engagements, we spoke with representatives from the companies' boards, remuneration committees, and investor relations teams.

Outcomes
Our "High Quality Growth at a Sensible Price" philosophy is based on stable underlying earnings growth with reasonable predictability over the long term. To support these goals, our approach is backed by active stewardship, which we view as the combination of deep bottom-up research, direct engagement, and the independent exercise of votes, which we regard as central to an investor/operator relationship. Say-on-pay policies, which allow shareholders to have a non-binding vote on executive compensation, have been in place in the US, Australia, and UK for some time, while EU countries have implemented similar policies more recently. While non-binding, they do seem to be having an impact where companies will look to proactively engage with shareholders and try to build support from their larger shareholders, before the AGM. We will continue to leverage these opportunities to continue to be active stewards of our clients' capital.

Case study

Dealing with surprise CEO departures

Sector
Health care equipment / Commercial services

Engagement
Individual

Status
Concluded successfully

Engager
Quality Growth

Issuers
Lonza, RB Global

Engagement type
1:1 Vontobel got in touch with the company directly

Topic
Governance:
– Leadership—Chair / CEO

Rationale and context
In 3Q 2023 there were three surprise CEO departures from companies held across the Quality Growth platform (~180 in total). The number of surprise departures may seem low, but is above average, especially over the course of one quarter.

Engagement's objective
Given this unusual number of surprise CEO departures, we engaged with two of the three companies to help us determine if these events represented red flag warnings of deeper issues to investigate further or sensible business decisions by the board.

Methods of engagement
Meeting

Leadership level
Board Directors and Senior Executives

Engagement process
We engaged with a previous C-suite executive from a European healthcare company, and the Board Chair of a North American heavy industrial equipment auctioneer. We spoke with both about the sudden CEO departures. These were isolated events that should not require any escalation.

Outcomes
Sudden CEO departures, while rare, can be the result of fundamental problems or more personal disagreements between board and executive. As investors, these events constitute new information that needs to be researched and the investment thesis retested. The CEO is selected and retained by the Board, and the Board is led by its Chair. A Chair with the experience and capability of spearheading a search for an effective CEO replacement is important. It is also a justification for the separation of Chair and CEO roles. In these instances, miscommunication between management and the board seems to have been at the heart of the problem.

Though these were isolated events that should not require any escalation, these events did serve as a reminder of the importance, in most cases, of the separation of Chair and CEO roles.

Case study

Royalty payments to the controlling shareholder

Sector
Household & Personal Products

Engagement
Individual

Status
Concluded successfully

Engager
Quality Growth

Issuers
Hindustan Unilever

Engagement type
1:1 Vontobel got in touch with the company directly

Topic
Governance:
– Shareholder rights

Rationale and context
We wanted more information on royalty payments from the listed Indian subsidiary of its controlling shareholder, domiciled in the United Kingdom.

Engagement's objective
When the new royalty agreement was announced, we were concerned that the value of our holdings in the subsidiary could be negatively impacted. We had four main questions:
– Will minority shareholders have a chance to approve the deal?
– How were the rates established?
– Why was the contract term shortened to 5 years from 10 years last time?
– What rails are in place to limit how far future rates could go?

Methods of engagement
Meeting

Engagement process
We held calls with the CFO of the subsidiary in question, followed by a call with the Chair of the parent company. The subsidiary's CFO was particularly helpful in addressing our main concerns.

Outcomes
Our questions were answered to our satisfaction. Specifically on shareholder rights, the CFO explained that the increase in brand royalties was not large enough to justify a shareholder vote under local law, and they only need board approval, which they already have. However, the increase in the central services agreement is large enough to require a vote, and this is planned for the company's next AGM.

Next steps
We will continue to monitor these payments. Part of our comfort that future negotiations will remain fair is that the subsidiary and parent company have a solid mutual benefit from both companies operating effectively. The subsidiary accounts for a large proportion of the parent company's value and gains great benefit from the centralized services provided by the mothership, helping drive future growth. At this point, we felt comfortable with the approach taken and the pricing agreed to, given the elevated value of services provided by the parent company since the last contract.

Case study

Promoting users' digital rights

Sector
Interactive
Media & Services

Engagement
Collaborative

Status
Ongoing

Engager
Conviction Equities: mtx

Issuers
Tencent Holdings

Engagement type
A group of investors, including Vontobel, engaged with the company together.

Topic
Governance:
– Company Strategy

Rationale and context
Information and communication technology (ICT) companies hold swathes of valuable data about their users that can be monetized or used in various ways, including by authorities. This puts primacy on the need for ICT to establish strong policies and practices to defend our digital rights—our human rights in the online context, especially freedom of expression, data privacy, and control over our own data.

We expect internet companies to have policies to prevent the spread of misinformation, viral hate speech, illegal surveillance, and discrimination, including algorithmic biases based on ethnicity and gender. Salient human rights risks are currently posed by the misuse of data and online platforms. Along with other investors and using the guidelines of the Investor Alliance for Human Rights (IAHR), we have increasingly been engaging with our internet platform companies on these topics. We wish to convey our expectations for transparency and accountability for their human rights commitments and to implement human rights due diligence processes across all their business activities. In our engagements, we also follow the learnings from the Ranking Digital Rights (RDR) evaluations.

In August 2022, Sustainalytics downgraded Tencent's compliance with the UN Global Compact (UNGC) from Watchlist to Non-Compliant under Principle 2, "Businesses should ensure that they are not complicit in human rights abuses". Their decision was based on the widened scope of censorship and surveillance in China and Tencent's role as the largest social media platform operator in China. Additionally, they expressed low confidence in the companies' management of the issue owing to low transparency and some governmental links. For UNGC assessments, we also look to MSCI, which put Tencent on their UNGC watchlist owing to the firm's indirect role in human rights abuse by abiding by Chinese laws on internet governance. These assessments triggered intensive research by mtx on digital rights and human rights in the context of internet businesses and on relevant international and domestic laws. We spoke with numerous stakeholders, academics, NGOs, brokers, RDR, IAHR and repeatedly with Tencent itself. We concluded that Tencent has limited options to opt out of its obligations under domestic laws; nevertheless, we identified various areas where specific improvements seemed achievable. This was therefore the basis of our engagement campaign, which started in 2022 and continued into 2023.

Engagement's objective
Our primary engagement objective with Tencent is for greater transparency on digital rights, with four core objectives:

- Formulate a robust Human Rights / Freedom of Expression policy with strong implementation and governance mechanisms. This includes conducting human rights due diligence & risk assessment across all products and regions, including risks posed by government regulations. Governance includes handling mechanisms for censorship/surveillance government data requests and publishing how the legality of data requests are validated. Harms should be mitigated, such as by avoiding discretion and subjectivity, notifying users when impacted, and establishing appeals avenues.
- Maximize transparency in how policies are implemented. We expect a transparent annual reporting of statistics on content censored or shared. The scope should be beyond false adverts, frauds, etc. and include topics censored under government agency request.

- Give users meaningful control over their data (and the data inferred about them). This means affording clear options to access and control their own data, including if and how it is used and access to remedy when needed. It should include a public declaration on the forbiddance of back-door access to private data.
- Account for harms that stem from algorithms and targeted advertising—focus on governance in the use of AI and compliance with emerging standards.

Methods of engagement
Meetings, Conference calls

Leadership level
Investor Relations and Senior Executives

Engagement process
In 2022, mtx held three engagements with Tencent on digital rights, where mtx provided the company with examples of domestic best practices in content moderation disclosure and human rights policies and awaited to see promised improvement in the company's 2023 ESG report. In 2023, mtx continued its direct engagement campaign as well as widening it to a collaborative engagement strategy, including liaising with Vontobel's engagement partner, Columbia Threadneedle Responsible Engagement Overlay (reo®). In summary, our engagement activities (direct and collaborative) in 2023 were:

January
- Reo®'s engagement call with Tencent's investor relations team, expressing the need for centralized and accessible policies on data privacy and security to transparently disclose their compliance with human rights.
- Reo® then followed up with an email encouraging human rights due diligence throughout the supply chain and operations as well as data disclosure on government data requests.

February
- Mtx joins as co-lead for digital rights under IAHR's collective engagement plan. Preparatory meetings between the three co-leads and Ranking Digital Rights specialists are held.

March
- IAHR collaborative engagement are held with three other asset managers and Tencent's investor relations team. The aim was to learn more about what Tencent already has in place in regards to content moderation mechanisms, data privacy policies, handling procedures for government data requests, and users' digital rights and data control, as well as to communicate ideas and best practices on these topics. The RDR index provided context on the digital rights issues with a high level of objectivity, allowing Tencent to understand its ranking against peers. We learned that Tencent has implemented some enhancements, such as users' explicit authorization for data sharing and opting out of location tracking on its platforms. We anticipate improved disclosures in the new ESG report.
- Mtx meets Tencent in a one-to-one meeting in their Hong Kong's offices with their vice general manager and investor relations lead. The discussion focused on the topics of regulation tightening, golden shares and ESG developments, including board diversity and progress on company becoming a UNGC signatory.
- As part of the Asia Corporate Governance Association (ACGA) China Working Group, Reo® took part in a collaborative engagement meeting with Tencent's independent director on various ESG topics, including the challenge of complying with local regulatory requirements and their plans to make their policies on data collection and facial recognition technology more readily accessible to users.

April
- Reo®'s in-person meeting with Tencent's investor relations team. Tencent has now consolidated its product specific ESG policies on its website, and its ESG governance body oversees AI governance. They described their practical application of their responsible AI principles, such as their protection of minors, their AI usage to generate photos, their human-led feedback loop mechanisms, their improvements in training data, and their legal team's and ethical AI's involvement in sensitive AI use-cases. The policy works to strengthen their AI data security. On data privacy, it was disappointing that the company could not provide an update regarding its independent oversight privacy protection board, which now has stalled.
- Tencent released their 2022 ESG report and an AI whitepaper in Chinese, which was reviewed by mtx. We noted some positive improvements in the recently published ESG report, including the establishment of a management taskforce on user privacy and cybersecurity, a taskforce on data compliance management, an assessment on privacy impacts, the collection of data for stated purposes, the disclosure on content moderation mechanisms and the disclosure of statistics on the removal of harmful contents.

May
- Mtx and our IAHR collaborative engagement partners provide written feedback to Tencent after reviewing its ESG Report 2022. We acknowledge Tencent's efforts on disclosing their content moderation mechanism and for making their data and privacy policies accessible on their website. We suggest further improvements such as disclosing a granular breakdown of their moderated content, the volume of removed content, and a description of the processes to identify forbidden content. We also suggest that their data protection policies and procedures are audited internally and externally. As Tencent is in the process of becoming a member of the United Nation Global Compact (UNGC), we encourage Tencent to formalize a human right policy.

- Tencent's AGM and EGM takes place. Prior to the AGM, mtx reached out to the company for information on various ballot items on which our proxy voters recommended us to vote against. We received clarifications from Tencent on these points and, after responding to us, the investor relations team made the information public by an email to all investors. We felt the information was sufficient to warrant supporting votes in the relevant meeting items, for example, we voted for the newly appointed independent social policy expert on the board. We nevertheless wished to send a message of discontent on the slow progress regarding our previously raised human rights concerns, which was communicated by Reo® via a letter to Tencent following the AGM.

August

- Tencent becomes a member of the UNGC. We also noted wider ESG improvements, including a new anti-fraud department that operates independently and reports directly to its audit committee, a public DEI commitment to increasing female workers, and a 2030 carbon neutral target with absolute emissions reduction targets (all scopes) that are validated by Science Based Target Initiative (SBTi).

September

- Mtx had a second collaborative engagement meeting together with our IAHR fellow investors with focus on Tencent's preparedness for the EU's CSRD, their improved disclosure on data privacy impact assessment, and their content moderation process. The IAHR group felt that Tencent has become more receptive to our feedback, and we acknowledged that becoming a UNGC signatory was a major milestone. Tencent has established a committee to monitor compliance with the UNGC, and it halved the opt-out steps for data tracking and made improvements on data privacy assessment using AI integration with controls at each stage of the data governance cycle. It recognizes that AI standards are evolving, and it is working to balance the public need for transparency and confidentiality, and investors can expect more detailed disclosure in the next ESG report. The IAHR group followed up by providing peer examples on content moderation and AI ethics disclosures.

Outcomes

Over the course of 2023, Tencent made some notable improvements on ESG and the digital rights topic specifically. These actions seem to be in clear part due to investor pressure, including our own. We summarize below the key developments:

- Policies relating to data privacy and state data requests are now centralized and publicly available.
- ESG report increased disclosure/statistics of moderated content—but not relating to state-led censored or shared content.
- Wexin (the China domestic version of WeChat) now has the same data policies as WeChat and QQ and include notification to users when personal identifying information is shared and explicit authorization by users is required to consent to data sharing and opting out of location tracking of mini programs.
- Tencent now has a public Government Request policy which overviews how official requests are received, reviewed, and responded to, and how users are notified to protect users' rights and privacy. Any data requests from public authorities require that body to provide the specific legal basis. If the authority believes that user notification would jeopardize their investigation, they must first obtain an appropriate court order to override notification of users.
- Better understanding on process for content moderation: hybrid model for screening (machine) and classifying (human) big data for suspicious accounts and activities. Some objectivity but human discretion still present. Still no clarity on state driven sensitive topics.
- Enhancements to ESG governance, including a new ESG Co-ordination Office, chaired by CEO/CFO.
- Publication of Explainable AI whitepaper. The report presented the concept, regulatory policies, development trends and industry practices. It also put forward suggestions for future development of AI. Tencent fully incorporated practice of explainable AI into its products.
- Corporate Governance: In the 2023 AGM board independence rose to 63 percent (from 50 percent).
- UNGC Signatory with improved governance mechanisms to support compliance.

Next steps

On human rights protection, Tencent has not yet formulated a public human rights policy, but we expect demonstrable improvement now that it is a UNGC signatory. We will monitor Tencent's annual reporting in relation to its UNGC commitment. We recognize that the fundamental issue of data sharing with government authorities is basically unsolvable, and improvement in disclosure is the best we can continue to press for. We hope that the IAHR working group on digital rights will continue to engage with Tencent on digital rights, as there is still room for improvement and the dual approach of bilateral and collective engagement has worked well.

As we look forward, we see the varied issues surrounding AI as paramount for this vast data company. Our 2024 engagement will focus on the topic of compliance with AI standards and internal governance to define and ensure "ethical AI" practices. Decarbonization and monitoring progress on Tencent's net-zero commitments will also be added to the 2024 agenda.

Corporate responsibility and sustainability

This section highlights some information about our Corporate Responsibility activities. Our Report on Corporate Responsibility and Sustainability can be found under vontobel.com/sustainability-report.

Environment and climate

Strategic commitments and goals

Vontobel's strategic commitment to environmental sustainability is underscored by its ambitious targets to achieve net-zero greenhouse gas (GHG) emissions across various aspects of its operations and own investments. By aiming for net-zero by 2030 for its operations and banking book bond investments1 and setting a 2050 target for its trading book bond investments, Vontobel aligns itself with the global imperative to combat climate change as outlined in the Paris Agreement. This commitment is not just a statement of intent but is backed by concrete actions and policies designed to significantly reduce the company's carbon footprint.

Operational sustainability efforts

In pursuit of its strategic goals, Vontobel has undertaken numerous initiatives to reduce its operational emissions. These include the purchasing of CO_2 emission certificates for all its measured operational Scope 1, 2 and 3 emissions, which support external projects aimed at offsetting and removing emissions equivalent to those produced by the company. Moreover, Vontobel's commitment to energy efficiency is evident in its corporate real estate strategy, which prioritizes high energy standards and the insulation of building envelopes to minimize energy consumption. The transition to energy-saving LED lighting and the use of heat pumps powered by renewable energy sources further exemplifies the company's efforts to reduce its environmental impact. Over the financial year 2023, Vontobel managed to achieve a significant reduction of its energy consumption primarily driven by decreased fuel consumption from non-renewable sources, such as heating oil.

Addressing business travel emissions

Recognizing the significant contribution of business travel to its overall GHG emissions, Vontobel has implemented an internal carbon pricing mechanism. This initiative aims to internalize the environmental costs associated with business travel, thereby incentivizing more sustainable travel choices among employees. By fostering transparency and encouraging responsible decision-making, Vontobel seeks to cultivate a corporate culture that prioritizes environmental stewardship alongside business objectives.

Great workplace

Creating an inclusive environment

Vontobel places a high priority on fostering a workplace that advances equality, diversity, and inclusion. The company understands that a diverse and engaged workforce is fundamental to its success and strives to create an environment where every employee can thrive. This commitment is reflected in Vontobel's HR policies and initiatives, which aim to support employees from various backgrounds and ensure that they feel valued and respected within the organization.

Employee benefits

To attract and retain top talent, Vontobel offers a range of attractive employment conditions and benefits that go beyond statutory requirements. These include maternity and paternity leave policies, facilitated access to childcare solutions, and flexible working arrangements. The company's approach to employee engagement is proactive, with regular surveys conducted to gather feedback and identify areas for improvement. Training and development programs are also a cornerstone of Vontobel's HR strategy, ensuring that employees have ample opportunities for professional growth.

Leadership and development initiatives

Vontobel invests in leadership and development initiatives that are designed to empower managers and leaders within the organization. These programs focus on building key skills that are critical for fostering a positive and productive work environment. By prioritizing the development of its leaders, Vontobel ensures that its workforce is guided by individuals who are not only skilled in their respective fields but also committed to upholding the company's values of respect, openness, and inclusivity.

[1] This includes Scope 1 and Scope 2 emissions of non-sovereign issuers.

Community engagement

Philanthropic contributions and partnerships

Vontobel's dedication to community engagement is evident in its philanthropic contributions and partnerships with organizations that work towards social welfare, medical research, nature conservation, and cultural enrichment. By supporting initiatives such as the International Committee of the Red Cross and the Swiss Climate Foundation, Vontobel demonstrates its commitment to addressing pressing global challenges and making a positive impact on society.

Employee involvement and matching donation programs

Encouraging employee involvement in community engagement activities is a key aspect of Vontobel's strategy. The company's matching donation programs exemplify this approach, allowing employees to contribute to causes they are passionate about while receiving matching contributions from Vontobel. This not only amplifies the impact of their donations but also fosters a sense of collective responsibility and engagement among the workforce.

Local and global community support

Through initiatives like its partnership with "New York Cares," Vontobel extends its community engagement efforts beyond financial contributions, involving employees in volunteer work and providing support for local nonprofit organizations. The establishment of the Vontobel Foundation further underscores the company's commitment to long-term charitable activities, focusing on areas such as medical research and cultural projects. These efforts reflect Vontobel's holistic approach to sustainability, emphasizing the importance of community well-being alongside environmental and corporate governance priorities.

Appendix

Appendix 1

Further ESG and Stewardship processes

In this section, we describe further processes related to our ESG and Stewardship activities. The information mentioned below may be related to the UK Stewardship Code reporting requirements, about which more information can be found on page 87.

Risk management related processes

Classification of risks

- Sustainability/ESG risk: Risk that sustainability-related events could cause a material negative impact on the value of an investment. More broadly, the risk of negative financial impact on Vontobel stemming from ESG factors.
- Market risk: Risk of losses on positions due to factors driven by market forces with potentially material impact on the performance and valuation of financial assets.
- Credit/counterparty risk: Default risk, credit migration risk and concentration risk impacting both the expected cash flow and the valuation of positions.
- Liquidity risk: Funding liquidity risk of not meeting expected and unexpected cash flow and collateral needs without affecting either daily operations or the financial condition of the firm. Market liquidity risk of not being able to offset or eliminate a position at the market price because of inadequate market depth or market disruption.
- Operational risk: Risk of disruptions or failures in Vontobel's day-to-day operations, leading to adverse impacts such as financial losses, regulatory penalties, legal liabilities, and a decline in Vontobel's overall performance and stability.

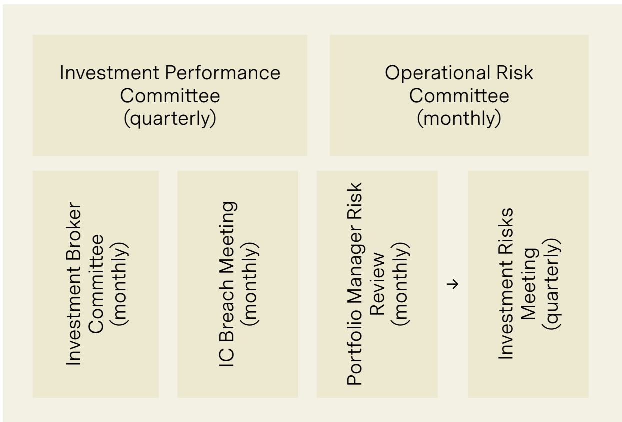
Risk management governance

The governance of the risk management framework is ensured through two group-level bodies, the Investment Performance Committee (quarterly, chaired by the Head Investments) and the Operational Risk Committee (monthly, chaired by the Head Finance & Risk).

Four regular risk management activities support the governance framework at business unit-level: The Investments Risk Meeting (quarterly), the Investment Broker Committee (quarterly), the Portfolio Manager Risk Review (monthly), and the Investment Control Breach Meeting (monthly).

This framework ensures effective communication and escalation of risk findings while retaining the necessary flexibility to respond to unanticipated events and emergencies, such as the market and economic crisis that was triggered by the Covid-19 pandemic in early 2020 or, more recently, the war in Ukraine.

An escalation process has been defined for our risk management oversight, as described below. More details about our committees, regular risk management activities and their attendees can be found on the following page.



Operational Risk Committee

Meeting frequency
Monthly

Description
Sub-committee of Vontobel Holding ExCo

Tasks
Oversight on firm-wide operational risk management and control framework.
- Monitor risk appetite limits / thresholds / KRIs.
- Initiate and monitor remediation measures where needed.
- Review material new business and new product initiatives with respect to their impact on the firm's risk position.
- Monitor implementation of specific regulatory projects.
- Review policies and propose changes and up-dates for the ExCo and BoD.

Attendees
Head Finance & Risk (chair), Head Legal & Compliance, Head Technology & Services, Head of Non-Financial Risk, Head of Risk, Investments, Head HR, Client Segment and Product Representatives, Head Internal Audit.

Investment Performance Committee

Meeting frequency
Quarterly

Description
Sub-committee of Vontobel Holding ExCo

Tasks
Oversight on investment management activities with focus on performance and risks.
- Performance review
- Ex-ante and Ex-post portfolio risk review
- Detailed analysis of key portfolios: Strategy consistency, performance explanation, peer comparison
- Alignment with product objectives

Attendees
Head of Investments (chair), Head of Risk, Investments (deputy), investment team heads, Head of Client Segments, Head Finance & Risk, Portfolio Managers, Head Investment Control.

Investment Broker Committee

Meeting frequency
Quarterly

Description
Sub-committee of the Investment Management Committee (Vontobel Holding ExCo sub-committee)

Tasks
- Approve and monitor / review approved brokers and counterparties.
- Review trading infrastructure projects and status
- Review and monitor best execution.

Attendees
Head of Risk, Investments (chair), Head Legal & Compliance Institutional Clients, Head of Trading, Head Middle Office / Operations Institutional Clients, investment team heads.

Investment Control (IC) Breach Meeting

Meeting frequency
Monthly

Tasks
- Review breaches on all portfolios managed in CRIMS, focusing on breach status and remediation
- Identify and escalate investment risk issues
- Identify operational risk issues for escalation to the Operational Risk Committee

Attendees
Head of Investment Control, Risk Managers, Management Company Risk Managers, Head of Operational Risk, Compliance, Front Office Support, Investor Services, Middle Office.

Portfolio Manager Risk Review

Meeting frequency
Monthly

Tasks
- Regular portfolio reviews across boutiques, ex-ante portfolio risk profile decomposition
- Challenging PMs on portfolio risks (incl. market, credit, and liquidity risks)
- Stress-testing analyses

Attendees
Risk Team, Investments, Portfolio Managers.

Investment Risk Meeting

Meeting frequency
Quarterly

Tasks
- Review operational risk status and trends in investment and asset management activities
- Review of investment risk profiles including market, credit, liquidity, counterparty and ESG risks
- Outsourcing monitoring

Attendees
Head of Risk, Investments, Head of Business Risk, Middle Office, Risk Managers, investment team heads, Compliance & Legal.

Navigating through crisis

In case of unanticipated events and emergencies, such as the market and economic crisis triggered by the Covid-19 pandemic and the war in Ukraine during the past years, we rely on our risk management framework and its governance.

In such situations, our investment teams reassess their portfolios and seek to identify investments that may be particularly vulnerable to the crisis, as well as those that may be resilient to it. Several factors are considered, such as the potential impact on economic growth, geopolitical risks and changes in market sentiment. The situation and its impact on markets and industries are closely monitored, in coordination with functions such as Compliance, Legal and Investment Risk Management where relevant. As such, the potential regulatory constraints (e.g., sanctions at country- and / or issuer-level) are duly considered for the review and potential adjustment of the portfolio holdings and exposures.

On group-level, an emergency management team is formed to respond to group-wide threats, composed of the Executive Committee members, Investor Relation function, Corporate Communication function and subject matter experts as required.

In the absence of reliable market prices, Vontobel uses alternative valuation methodologies that are generally recognized and auditable to value the relevant sub-fund's assets or liabilities. This valuation process is performed by senior managers representing the Product Management, Compliance, and Investment Risk functions, acting independently from Portfolio Management.

Our client-centric approach during any crisis

We adjust our communication to meet client needs throughout any crisis. Our first step is to recognize that there is a crisis, be it sectoral or regional, and set up the structures outlined above to manage our activities.

A sub-group of the Institutional Clients Working Group focuses on investment communications. The team delivers communication on market events and enables clients to hear from our relationship managers and portfolio managers each day as a market crisis unfolds.

We use our digital resources to quickly share updates with our clients through various channels. As the crisis progresses, we evaluate how interested our clients are in these communications in different geographies using both qualitative and quantitative feedback. This helps us tailor our plans to provide clients with the information they need.

Conflicts of interest

Our policy framework

It may not always be possible to avoid conflicts of interest arising when providing financial services, especially those inherent to employees' roles. However, it is important to settle these issues, as the appropriate identification, management, and mitigation of conflicts of interest is evidence that the institution in question strives not to harm its clients, shareholders, employees and third-party providers interests. Vontobel has Conflict of Interest policies that define and illustrate what a conflict of interest is describe how Vontobel identifies, documents and manages potential and / or actual conflicts of interest and outline the measures that Vontobel has put in place to prevent conflicts of interest from occurring, in accordance with applicable legal provisions.

Our Group-wide policy is regularly updated and enhanced. The last update took place in November 2023, following the reinforcement of our monitoring framework through the global roll out of a software well known in the industry to monitor gifts and entertainments, external mandates and personal account dealings.

While addressing conflicts of interest in general, our Group-wide policy is supplemented by other policies that cover dedicated key topics (such as employee transactions, remuneration, AML and CFT, among other).

Our policy was developed in 2021 to reinforce the framework applicable to our business activities.

→ You will find our public Conflict of Interest policy statement, for Vontobel Holding AG, under vontobel.com/en-ch/legal-notice/mifid

How Vontobel ensures employee awareness and education on conflicts of interest

By means of regular communication with business representatives, the Legal & Compliance Center of Excellence aims to create awareness amongst employees, remind employees about the disclosure rules and hence allow self-disclosure of both potential and actual conflicts of interest situations into a dedicated register and/or our used software, depending on the typology of conflicts.

Vontobel has defined an escalation process that includes disclosure and approval in the event an employee identifies a conflict of interest. Such an escalation process integrates employee line manager approval and, where defined in our policies, the approval of compliance as well.

In parallel, Compliance performs several controls that allow the identification of both potential and actual conflicts of interest cases. In such cases, the relevant employee will be contacted for a proper assessment and implementation of mitigation measures. With this, we increase employee awareness and aim to prevent other cases from occurring in the future.

Vontobel conducts mandatory conflicts of interest training to all employees on a bi-annual basis. The last training was conducted in November 2023. All employees were required to pass a test related to the content of this mandatory training.

What measures has Vontobel put in place to avoid conflicts of interest

Vontobel implemented several measures aiming to prevent conflicts of interest from occurring such as:

- Ensuring separation of employees and their reporting lines wherever relevant, e.g., financial analysts are independent from other business functions such as client-facing functions.
- Providing clear rules related to employee transactions / personal securities trading, applicable to all employees.
- Preventing relationship managers and employees in other client-facing functions from establishing business relationships through Vontobel with parties with whom they have close relationships outside of Vontobel.
- and requiring disclosure of employees' secondary professional activities and mandates to the proper internal authorities.

How does Vontobel manage actual and potential conflicts of interest related to Stewardship

As a general principle, Vontobel handles conflicts of interest related to Stewardship according to the same policies and processes defined to manage other conflicts of interest.

Going into more granularity, Vontobel relies on several additional measures, policies. and standards to mitigate the risks of conflicts of interests related to Stewardship.

- Our Vontobel Code of Conduct summarizes the principles and practices that define the way Vontobel does business. As part of it, we undertake to act ethically, responsibly and with integrity towards our clients, shareholders, employees, business partners, authorities, and the general public.
- We have a ESG Investing and Advisory policy that formalizes principles, governance structures, and processes related to sustainable investing practices.
- We have voting and engagement policies in place that govern the submission of votes in a manner which Vontobel reasonably believes to be in the best interests of its clients.
- We use proxy voting service providers that follow proxy voting policies reviewed and approved by Vontobel. Investment teams must follow defined processes when changing votes including providing appropriate documentation.
- Our sustainable purchasing policy defines the environmental and social standards that we expect from our business partners.
- We separate client-facing functions from voting and engagement activities.

Examples of conflicts of interest related to stewardship

Criteria related to ESG product categorization

The implementation of regulatory requirements in our operations, has presented specific challenges and opportunities related to Stewardship, especially the Sustainable Finance Disclosure Regulation (SFDR) and its Regulatory Technical Standards (RTS) in the European Union. We have observed an increased interest from some of our clients for products that consider ESG aspects. At the same time, it is imperative to operationalize rigorous governance and operational processes to ensure the integrity of the investment processes of products that pursue such objectives.

We handled this challenge by taking measures such as:

- Defining clear minimum criteria for our ESG product categories.
- Strengthening our product governance related to ESG via our ESG Investment Forum (see further details about our ESG governance in our ESG investing and advisory policy at vontobel.com/SFDR).
- Initiating a project, led by our Institutional Clients Risk team, to document ESG processes and controls within investment teams, sales, and product management activities.
- Implementing appropriate controls both from first line and second line of defense perspectives.

Incorporating ESG information into investment decision-making

In 2021 we started to analyze the potential conflict of interest that Portfolio Managers might prioritize financial information over ESG information when making investment decisions.

Within investment teams, the identified conflict of interest is partially mitigated by using a rules-based approach to applying minimum ESG standards. Portfolio Managers are bound to apply minimum quantitative ESG criteria such as minimum ESG scores, norms-based exclusions, and sector- specific exclusions depending on the defined ESG strategy of the product. Minimum ESG standards are programmed into data management systems such that Portfolio Managers cannot consider companies that are excluded from the investment universe based on minimum ESG criteria.

Some investment teams, such as those in the mtx franchise and the Fixed Income team also apply qualitative criteria based on proprietary research. In these cases, there is a separation between the roles of ESG analyst and financial analyst, and a consensus must be reached between the views of both parties for the Portfolio Manager to proceed with a trade.

In all cases, binding ESG criteria are defined in the investment guidelines of the financial product and quantitative criteria are independently controlled by our Investment Control team.

Proxy voting

Vontobel's Institutional Clients segment has implemented a Proxy Voting policy and associated procedures that are designed to ensure that voting takes place in the best interests of clients. To facilitate the actual process of voting proxies, Vontobel's Institutional Clients segment has contracted with independent advisors to analyze proxy statements on behalf of its clients and vote proxies in accordance with its procedures. Processes for deviating from the proxy voting advisor's recommendations are defined. More information can be found on page 39.

Monitoring service providers

Guidelines for sustainable procurement
Vontobel strives to conduct its own operations according to high environmental and social standards and we also expect our business partners to adhere to the principles of responsible business conduct. These aspects are incorporated into our tendering process and serve as a guide when selecting suppliers. The relevant details are set out in Vontobel's "Guidelines for sustainable procurement". They address matters such as employment conditions, child labor, forced labor, environmental protection, and the prevention of corruption.

We expect our contractors to comply with these guidelines in order to work with Vontobel and to ensure that these guidelines are also observed by their own suppliers, subcontractors, and employees. In 2023, more than 80% of our third party spend was made in countries that can be assumed to have a low risk in relation to child labor, according to the UNICEF Children's Rights in the Workplace Index (Switzerland, Germany, UK).

→ These guidelines are available at vontobel.com/principles-policies.

Review of service providers
ESG data providers play an important role in the context of ESG analyses, meeting reporting requirements and providing appropriate transparency to our clients.

We set high expectations for the ESG-related services provided by external parties. In particular, they should meet our needs, in terms of quality of data, quality of service and breadth of coverage.

To ensure that ESG data providers can rely on clear expectations, we are in regular exchange with them. We observe that ESG data providers are also looking for this regular exchange, as it helps them to develop their services in a client-centric manner.

Occasionally, our review of services may show negative results. In those cases, we would carefully analyze the provided services, conduct a market analysis and take collective decisions. This might result in ending the business relationship with the service provider.

→ Read more about our service providers on page 28.

Case study
Monitoring of proxy voting service providers
In order to properly monitor service providers, the methodology should be adjusted to the type of services, from the selection of the service providers to the review of their services.

We carefully select proxy voting service providers, and we look for the best fit between the scope of their services, their voting policy, possibly their focus and our own voting policy and investment strategies. For example, for our funds focusing on Swiss equities, we have selected Ethos because of their expertise in the Swiss market.

Services delivered by the proxy voting providers are being monitored via quantitative and qualitative indicators as part of the ongoing monitoring framework. In addition, periodic due diligence reviews are performed, assessing the ability of the service providers to deliver the contracted services, in this case providing voting services.

Review and assurance

Internal assurance

Committees and forums in place for reviews and internal assurance

Vontobel strives to continuously improve its sustainable business management.

Our ESG governance structure plays a central role in internal review and assurance. Vontobel has dedicated committees and forums in place:
- At Group level, the Corporate Sustainability Committee driven by a top-down approach, drives the sustainability strategy and monitors its implementation. Client Segments and Centers of Excellence report to this committee on their progress. Find out more about our ESG governance structure on page 16.
- At Vontobel's Institutional Clients segment level, the ESG Investment Forum ensures good product governance by reviewing the compliance of new and re-positioned products with the internally predefined criteria for each ESG product category. Find out more about these categories on page 20.

Periodical review of ESG-related policies, procedures, processes and controls

Vontobel issues policies whenever there is a regulatory, organizational, or procedural necessity or risk that needs to be mitigated. A dedicated review and approval framework is in place, defining a hierarchy of signing authorities depending on the document level (e.g., regulations, group policies, legal entity policies, implementation provisions). Any amendments may be made by the policy owner and must be duly approved by the unit responsible for issuing the corresponding policy the Executive Committee of Vontobel Holding.

Generally, policies are either reviewed on an ad-hoc or annual basis. There are typically three drivers that might lead to a review of underlying policies or procedures and associated processes and controls:

1. Applicable laws and regulations,
2. evolving best practices, or
3. continuing focus on key themes.

The implementation of the ESG regulatory requirements over the last few years, especially the EU Sustainable Finance Disclosure Regulation (SFDR), led to the revision of existing processes and controls as well as the development and implementation of new ones to ensure that our activities are compliant with the applicable laws and regulations. In 2023, we finalized the inventory of controls and processes exercise that we kicked off in 2022 to ensure proper consideration of SFDR requirements.

Three lines of defense

→ More information about our three lines of defense framework can be found on page 32.

External assurance

External assurance of our reports

Our Sustainability Report, which is an integral part of the Vontobel Annual Report, is produced in accordance with the GRI Standards (see Chapter "Corporate Responsibility & Sustainability" of the Vontobel Annual Report). For the Content Index Essentials Service, the GRI Service Team reviewed that the GRI Content Index is clearly presented in a manner consistent with the Standards and that the references for all disclosures are included correctly and aligned with the appropriate sections in the body of the report. Going forward, the document is designed for analysts who want to obtain key information and easily gain an overview of our engagements. Additionally, one of the GRI standards requirements is to define the report content and the topic boundaries. The Vontobel Sustainability Report is based on the sustainability topics that Vontobel had already identified as material topics in previous reporting cycles. GRI topics were discussed and evaluated to assess their relevance for Vontobel and our stakeholders. The material topics were applied to the report, prepared in accordance with GRI standards. These are based on the material topics that Vontobel has identified using the process defined under the GRI standards to determine material topics and disclosures in various workshops and interviews. Typically, the Vontobel Sustainability Report also includes identified areas to improve and actions to be taken.

An example under the diversity, equality and inclusion section (pages 127 – 128 of the Vontobel Sustainability Report 2023, which can be found under vontobel.com/sustainability-report):

"The annual Diversity Benchmarking by the University of St. Gallen attests to Vontobel having a relatively high proportion (33 percent) of employees that identify as female, with 45 percent of these in junior management roles, which indicates a strong diverse pipeline. However, we face a drop in female representation in higher leadership positions. The share of women among external hires is, however, above the current share, which shows a positive trend."

Additionally, we have a dedicated section in our Sustainability Report where we show where the different GRI items can be found (see "GRI content index", pages 135 – 138). If the GRI item is not addressed within the report, we provide information about the omission, and potential corrective measures.

While using the internationally recognized GRI standards, we ensure that our reporting is fair, balanced, and understandable. Ernst & Young Ltd (EY) has undertaken a limited assurance engagement on selected KPIs of our Sustainability Report.

- FS11: Percentage of assets subject to positive and negative environmental or social screening;
- GRI 2-7: Employees
- GRI 302-1: Energy consumption within the organization;
- GRI 302-3: Energy intensity;
- GRI 305-1: Direct (Scope 1) GHG emissions;
- GRI 305-2: Energy indirect (Scope 2) GHG emissions;
- GRI 305-3: Other indirect (Scope 3) GHG emissions;
- GRI 305-4: GHG emissions intensity;
- GRI 401-1: New employee hires and employee turnover;
- GRI 405-1: Diversity of governance bodies and employees.

→ The independent assurance report can be found on page 149 of the Vontobel Annual Report.

Another example is the Impact Report published for our Listed Impact Strategies, which has been reviewed by ISS ESG through third-party verification, specifically on the Impact Key Performance Indicators used.

External recognition

Vontobel is a signatory to the Principles of Responsible Investment (PRI). We were awarded a four-star rating in 2023 for the PRI module "Investment and Stewardship Policy". Additionally, the leading ESG rating agencies MSCI, Sustainalytics, ISS ESG, and Inrate have given Vontobel above-average sustainability ratings in the environmental and social dimensions. For example, on a scale from CCC to AAA, MSCI rates Vontobel AA.

In 2021, Vontobel became a signatory to the UK Stewardship Code and demonstrated its compliance with the 12 recognized and ambitious principles. After we received feedback from the FRC in 2021, we successfully addressed the gaps in our next report.

Appendix 2

Assessing client needs

We are close to our clients, and we carefully listen to their needs. We prefer a continuous exchange with clients rather than a sporadic approach. It allows us to anticipate and engage with our clients when it matters, always with a clear and distinct point of view. We consider this approach to be the most appropriate because of the diversity of markets we are active in. Vontobel operates in several regions, with different types of clients, ranging from global banks to pension funds, and different profiles and interests, which results in different needs.

In addition to our continuous exchange with clients to assess their needs and levels of satisfaction, we acknowledge that a structured and systematic approach is useful. For this reason, we conduct different client surveys.

Institutional Clients survey
To further improve the way we assess clients' needs and levels of satisfaction, we conduct our own survey for the Institutional Clients segment, typically on a yearly basis. The goal of the survey is to measure the satisfaction rate of our clients, considering all experiences that they have had with Vontobel and the net promoter score, which measures the likelihood that a client would recommend a company, product, or service. The results of this survey are typically discussed at Group level, at the Executive Board and / or Global Client Forum levels. In addition, each division of Vontobel evaluated the results and prepared a plan of action based on the feedback from the clients. At Vontobel, the results were discussed at the monthly management meeting.

Impact Investing survey
We occasionally conduct surveys on dedicated topics. In 2023, we gathered the views of nearly 200 investors, both institutional and professional, from 21 countries throughout Europe, Asia Pacific, and North America.

The 2023 Impact Investing Survey reveals that impact investing plays a crucial role in future-proofing investment portfolios. Despite challenges in financial markets, investors are committed to overcoming obstacles and driving enduring change in the impact investing sector. The survey highlights a growing trend towards sustainability, with investors trusting active, high-conviction managers and expressing satisfaction, signaling the sector's future potential for both financial returns and positive impact.

→ More information about this survey can be found under am.vontobel.com/insights/vontobel-2023-impact-investing-survey

ESG Advisor survey
The Vontobel Advisor ESG Study 2024 was commissioned to gather the opportunities and challenges of 300 financial advisors and wealth managers on various aspects of ESG investing. The data was collected from 15 countries throughout Europe, Asia Pacific, and North America. The survey was supplemented by in-depth interviews with eight advisors.

This analysis seeks to identify trends among advisors with different ESG knowledge levels and various stages of ESG integration. What are their biases? What behaviors do they display? What ESG-related challenges do they face? How do they navigate the ESG landscape? How does advisory work with asset managers on ESG product selection?

External surveys
We also use external surveys with (potential) clients, such as the Broadridge Fund Brand 50 2023 Report, which allows us to understand their perceptions on selected topics such as "Experts in what they do" or "Local knowledge". Such reports can help us identify potential areas for improvement.

Appendix 3

Personnel resources

Long-term thinking and compensation
Vontobel is a globally operating financial expert with Swiss roots. We stand for long-term and sustainable commitment to our employees and shareholders. Our philosophy is to promote a performance-oriented culture, foster teamwork, and take a prudent approach to risk. Furthermore, ESG risks and goals are assessed, monitored, and reviewed by our committees to ensure sustainable long-term growth.

Responsible investment goes hand-in-hand with a long-term perspective. At Vontobel, we believe that looking in the same direction and aligning our interests allows us to foster a long-term perspective. Our share participation plan has been part of our compensation system for several years. All employees (with some exemptions) who are awarded a bonus have the option of receiving 25 percent of it at preferential conditions in the form of registered shares of Vontobel Holding AG.

The explicit consideration of ESG factors in our compensation system has been formalized in the reviewed Vontobel's Group Compensation Regulations, which was last reviewed and approved as of January 2023. More information below:

The consideration and alignment of ESG risks and goals within Vontobel's compensation policy reflect the aim of embedding ESG in our corporate values. We encourage entrepreneurial spirit, empower our people to take ownership of their work, and bring opportunities to life.

We appeal to each individual to have the courage to express an independent perspective, even if that goes against the consensus view.

Compensation principles

1. Pay for performance: A comprehensible overall compensation system that rewards contributions.
2. Drive culture: Promote an ownership mindset and courage. Foster performance- and team-oriented culture.
3. Aligned and long-term orientation: Take account of the long-term interests of clients, employees, shareholders, and the company.
4. Competitive: Offer competitive compensation to attract and retain talent.
5. Compliant: Commitment to comply with legal and regulatory requirements. Promote risk consciousness and prevent conflicts of interest. ESG risks and goals are an integrated part of Vontobel's compensation policy.

The variable compensation serves the purpose of motivating employees to strive for exceptional long-term performance. The variable component is split into bonus—cash or deferred—and long-term incentives.

Variable compensation is based on the performance at Group level, down to the level of the division and entity, as well as the individual performance. Variable compensation is influenced by various key objectives, among them ESG risks and goals.

Vontobel's Group compensation policy can be found under vontobel.com/SFDR.

Integrated setup and ESG experts
As described on page 22, our ESG specialists are embedded in our boutiques, which reflects our specialists' profile and our belief that ESG topics shouldn't be discussed within silo functions. Embedding our ESG specialists in our boutiques was a natural consequence of our ESG integration process. We believe that the deep integration of ESG know-how across all our boutiques helps us make better investment decisions and that this integrated structure brings even more relevance to ESG considerations in our investment decisions. Our ESG analysts sit together with financial analysts and portfolio managers, which fosters continuous exchange.

Our ESG network forms the core of our ESG expertise. The ESG network consists of dedicated ESG analysts, analysts undergoing deep research on ESG topics, portfolio managers of sustainable strategies, ESG leads of investment teams, as well as professionals working on overarching ESG topics. In total, more than 30 specialists with different backgrounds work on ESG-related topics, be it portfolio management, ESG research, or overarching topics. 15 of them are solely working on ESG-related topics. They build on several years of investment experience and a strong track record in the ESG field.

ESG-related training

Vontobel's success depends to a significant extent on the skills and motivation of its employees. Therefore, we attach considerable importance to promoting employee development. On average, our employees working on ESG strategies and ESG research have gained more than 20 years of investment experience. ESG is a particularly evolving topic, and we recognize the importance of our teams staying up-to-date.

At Vontobel, we believe that on-the-job learning is the most effective. Through our setup and the resulting close and daily collaboration between ESG analysts and investment teams, we foster the ongoing dissemination of know-how related to ESG. During research meetings, general developments in ESG are discussed. The ESG Center also serves as a platform to monitor the latest developments in an ESG context and is in regular exchange with the investment teams. Certain mandatory training integrates ESG-related topics.

To ensure all our client-facing and support staff are well-informed, we run two three-day events each year known as "AM Xchange", where our portfolio managers, our product specialists, and other subject matter experts present their latest thinking, the current market trends, and the future challenges coming our way. We include an ESG update as part of these events, giving our relationship managers an overview of market developments. In addition, we host regular internal training and communication calls and also conduct external education and webinars whenever a significant number of clients want to know more about a particular topic.

Through the Vontobel Academy, our employees can access internal and external training sessions. Additionally, Vontobel subventions ESG-related certificates. A growing number of employees undertake such training. In fact, by the end of 2023, more than 500 employees had successfully concluded at least one ESG-related training, either through Vontobel Academy or dedicated training sessions.

Furthermore, our employees have access to leading service providers for data, research, and engagement, such as MSCI ESG and Sustainalytics, as well as brokers. This allows them not only to learn more about the companies they are analyzing but also to access best-in-class studies and webinars about ESG. We also regularly invite external specialists from our ESG research providers to provide an outside view on relevant issues.

Vontobel supports GreenBuzz, a network to promote sustainability issues through research, education, and networking. Since its creation in 2010, it has grown to 6,000 "buzzers" in Zurich. The association regularly organizes on-site and online events and discussions. As a sponsor, Vontobel offers free tickets to employees to attend the events and thus encourages discussion on ESG and sustainability.

ESG experts within the investment teams


Lara Kesterton
Conviction Equities


Yuqing Lian
Multi Asset


Camilla Leopoldino
Conviction Equities


Kevin Loepfe
Quantitative Investments


Xiaoyue Du
Conviction Equities


Eugenio Carnemolla
Quantitative Investments


Gayle Chan
Conviction Equities


Marion Swoboda
Fixed Income


Thomas Trsan
Conviction Equities


Alexia Luyet
Fixed Income


Matthias Fawer
Conviction Equities


Brian Bandsma
Quality Growth


Markus Stierli
Multi Asset


Emily Kao
Quality Growth


Veronika Stolbova
Multi Asset


Marci Richburg
Quality Growth

Managing sustainable portfolios


Roger Merz
Conviction Equities


Anna Holzgang
Fixed Income


Thomas Schaffner
Conviction Equities


Thierry Larose
Fixed Income


Raphael Lüscher
Conviction Equities


Carl Vermassen
Fixed Income


Antoine Hnein
Conviction Equities


Sergey Goncharov
Fixed Income


Pascal Dudle
Conviction Equities


Daniel Karnaus
Fixed Income


Catrina Vaterlaus
Multi Asset


Manfred Büchler
Fixed Income


Marc Hänni
Conviction Equities


Chris Bowie
TwentyFour AM


Carla Bänziger
Conviction Equities


Grame Anderson
TwentyFour AM


Anca Rafaisz
Conviction Equities

ESG Center


Lukas Münstermann
Head of ESG Center


Marina Preyssat
ESG Specialist


Tomi Delinac
ESG Platform Manager

ESG Lead representing the team in the ESG Investment Forum
ESG Analyst
Engagement
Working exclusively on ESG related topics

Source: Vontobel Institutional Clients

Appendix 4

Memberships and working groups

We are aware of our responsibility as a global investment firm and corporate citizen. In this way, we have committed ourselves to the sustainable development of the environment and society. Through our membership and participation in working groups, we aim to achieve various objectives:

Public support
Being a member of various organizations and a co-signatory to a number of investor initiatives allows us to materialize our commitment towards sustainability and also promote these initiatives. Our memberships are generally disclosed on our website. In certain cases, we may provide financial support for these initiatives through donations or memberships.

Adhere to frameworks
Some initiatives, such as the PRI and the UN Global Compact, have developed principles and transparency frameworks. By supporting these initiatives, we adhere to their principles and commit to reporting annually on our sustainable investing activities according to their specific transparency frameworks.

Contribute to exchange platforms
We believe that working together and sharing our knowledge can contribute to the development of well-functioning markets. As a pioneer in ESG investing, Vontobel has gained experience over many years. Through these platforms, we can share insights from our own experiences and also benefit from those of other market participants. In some of these cases, the working groups built around these platforms produce recommendations / reports that are shared and promoted widely.

Contribute to consultations
As mentioned above, certain working groups have specific goals, such as the issuance of recommendations, that may also serve as voluntary self-regulation. Especially in the Swiss context, there is an active dialogue between the governing and supervisory authorities and industry associations such as AMAS and SBA. In other cases, we may directly be involved in consulting working groups. An example is the Climate Expert Panel organized by the Swiss Financial Market Supervisory Authority, to which Vontobel delegated a member in 2021. This small group provides know-how to the regulator by sharing its experience on climate risk-related topics.

We believe that through our participation in these groups, we contribute to the convergence of best practices on the market. Also, it ensures that we are always at the cutting edge of ESG investing and can actively seize growth opportunities resulting from sustainable investment, thus best serving our clients.

Below, you will find some of our memberships, their purpose and activities, as well as our contribution. We support further initiatives such as “Sustainable Finance Geneva”, “Forum per la Finance Sostenibile”, the “Swiss Climate Foundation” and the “Corporate Support Group of ICRC”.

→ Find an exhaustive list of our memberships under vontobel.com/ratings-memberships.

Since 1924

Swiss Bankers Association (SBA)
swissbanking.org

The Swiss Bankers Association is the Swiss financial sector's leading industry association. The main objective is to create the best possible operating conditions for banks in Switzerland. As the umbrella association of Switzerland's banks, the Swiss Bankers Association (SBA) brings together some 260 member institutions from the various bank categories and other financial services providers. The Association represents the financial center's interests vis-à-vis politicians, authorities, and the general public.

SBA has set the sustainable finance topic as one of their key priorities. Vontobel supports SBA with regular contributions and participation in subject-driven working groups. Vontobel also provides the representative for ABG / VAV on the SBA Expert Commission on Sustainable Finance. He also chairs the ABG / VAV's Sustainable Finance Working Group, which he represents on the Expert Commission.

Since 1984

Association of Swiss Asset and Wealth Management Banks (VAV/ABG)
vav-abg.ch

The VAV is the Association of Swiss Asset and Wealth Management Banks. It comprises 23 banks that are headquartered in Switzerland and primarily operate in the area of asset and wealth management for private and institutional clients. Its members manage assets totaling over CHF 1400 billion and employ around 19,000 staff in Switzerland and abroad.

Vontobel leads the Working Group Sustainable Finance of the VAV/ABG. On behalf of all members, the working group has developed 14 Priorities for Sustainable Finance as a voluntary framework. The goal of this working group is to exchange and transfer knowledge on relevant ESG topics and the development, updating, and tracking of ABG / VAV priorities for Sustainable Finance as a joint contribution to the transition to a more sustainable economy and society.

We are also participants of the VAV Contact Group Sustainable Finance whose goal is to provide an exchange platform for VAV members based on industry experts' input. Current topics are, for example, the EU and international development in sustainable finance, SBA self-regulation on client ESG preferences and ESG risk integration, and greenwashing prevention measures.

Since 1993

Asset Management Association Switzerland (AMAS)
am-switzerland.ch

The Asset Management Association Switzerland is the representative association of the Swiss asset management industry. It aims to strengthen Switzerland's position as a leading center for asset management with high standards of quality, performance, and sustainability. To this end, it supports its members in developing the Swiss asset management industry and adding value for investors over the long term.

We are members of the Legal & Compliance Asset Management committee and actively participate in its meetings. In 2023, one of AMAS' key projects entered into force, namely, the principle-based self-regulation on transparency and disclosure for sustainability-related collective assets.

Since 2008

Swiss Climate Foundation
klimastiftung.ch

The Swiss Climate Foundation is a voluntary initiative by business for business. Its corporate partnerships allow it to award one to three million Swiss francs in funding annually. The Foundation's mission is to promote climate protection and strengthen Switzerland and Liechtenstein as business locations. The Swiss Climate Foundation supports small and medium-sized companies (SMEs) that develop climate-innovative products that have a significant impact on climate protection.

Vontobel is a long-standing partner of the Swiss Climate Foundation and one of its founding members. We contribute to the activities carried out by the foundation, such as the selection of funded projects, through our representation on both the foundation's board and its advisory board.

Since 2010

Principles for Responsible Investment (PRI)
unpri.org

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice to act in the best long-term interests of beneficiaries. As a signatory to the Principles for Responsible Investment, Vontobel has committed itself to the gradual implementation of six principles for the broad integration of sustainability in investment processes. Through this, we actively deliver our contribution to the transformation to a more sustainable economy. The PRI regularly reports on actions and achievements on their website.

As a PRI signatory, we publicly report each year on our responsible investment activities within a defined framework of mandatory and voluntary indicators. Based on this report, signatories are rated according to the six PRI modules. Thus, together with over 3,000 signatories, we contribute to more transparency and comprehensible comparability among market participants.

→ More information about our PRI ratings under vontobel.com/responsibility. Find our Responsible Investment Transparency Report under unpri.org.

Since 2014

Swiss Sustainable Finance (SSF)
sustainablefinance.ch

Vontobel is a founding member of SSF and played a significant role in setting up the organization. The SSF strengthens the position of Switzerland in the global marketplace for sustainable finance by informing, educating, and catalyzing growth. Vontobel hosts and sponsors SSF events and actively contributes to SSF publications like the annual Swiss Sustainable Investment Market Study, which has become a reference publication for the Swiss market for media and associations. Additionally, with its practice-oriented approach bringing together market participants, SSF serves as an exchange platform for different organizations, including the Swiss government and supervisory authorities.

Vontobel co-leads the Wealth and Asset Management Workgroup at SSF. This workgroup aims to promote sustainable investing in Swiss private wealth and asset management and further strengthen Swiss offerings in this field. To do so, the group runs projects and publishes different guides to support market participants. An example is the report "100 terms related to sustainable finance" whose goal was to align the language used when talking about sustainable finance. Another example is the resources provided to Swiss financial market participants to support regulatory changes related to the implementation of the EU Action Plan for Sustainable Finance. Vontobel participated in webinars and workshops to promote and present these resources.

Since 2017

UN Global Compact
unglobalcompact.org

Global Compact is a strategic initiative of the United Nations for companies such as Vontobel that commit themselves to aligning their business activities and strategies with ten universally accepted principles covering human rights, labor standards, environmental protection, and anti-corruption. Within our sphere of influence as a company, we thus help to promote key sustainability principles around the globe.

→ More about our Sustainability Report in our ESG Library on page 86 and under vontobel.com/sustainability-report.

Since 2019

Global Impact Investing Network (GIIN)
thegiin.org

Impact investments aim at creating measurable social and environmental impact alongside a financial return. GIIN is dedicated to increasing the scale and effectiveness of impact investing. By convening impact investors to facilitate knowledge exchange, highlighting innovative investment approaches, building the evidence base for the industry, and producing valuable tools and resources, the GIIN seeks to accelerate the industry's development through focused leadership and collective action.

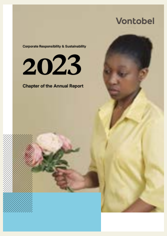
We have been active members of the GIIN's working group on listed equities since 2019, which culminated in a jointly developed guidance document that describes several practices or characteristics an investor can expect from an impact investing fund. Published in March 2023, "Guidance for Pursuing Impact in Listed Equities" is the result of a multi-year project involving more than 100 investors. It covers the four main aspects of listed equities impact investing: setting a fund or portfolio strategy, portfolio design and selection, engagement, and the use of performance data. The guidance is structured around four main characteristics of impact investing.

Appendix 5

Our ESG Library

Sustainability Report
At Group level, Vontobel publishes a sustainability report, as part of the annual report.

→ Find our Sustainability Report under vontobel.com/sustainability-report.



RI Transparency Report
As a PRI Signatory, we report publicly on our responsible investment activities each year.

→ Find our RI Transparency Report under unpri.org.

Our principles and policies
We have diverse principles and policies in place that guide our activities:
- Code of Conduct
- ESG Investing and Advisory policy
- Guidelines on cluster bombs and land mines
- Voting and Engagement policies

→ Find more information about these policies on page 15 and under vontobel.com/esg-library.

Articles, podcasts, insights, and webinars
We regularly produce and share our research findings and thoughts about ESG-related topics on our website.

→ Find more under am.vontobel.com/insights.

International conferences and roundtables
We regularly share our views and knowledge through speakers at international conferences.

Appendix 6

UK Stewardship Code

More information about these principles can be found under frc.org.uk.

PRINCIPLES	PAGES
Purpose and governance	
1. Purpose, strategy, and culture	4–7, 10–13, 16–17, 19–23
2. Governance, resources and incentives	15–17, 22, 28, 79–81
3. Conflicts of interest	74–76
4. Promoting well-functioning markets	17, 19, 31–36, 72–74, 82–85
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6. Client and beneficiary needs	6–7, 12–13, 19, 23–24, 36, 78
7. Stewardship, investment, and ESG integration	16–17, 19–24
8. Monitoring managers and service providers	76
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9. Engagement	21, 41–42, 49–67
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11. Escalation	41–42, 49–67
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12. Exercising rights and responsibilities	21, 39–40, 46–48

Appendix 7

Swiss Stewardship Code

More information about these principles can be found under am-switzerland.ch and sustainablefinance.ch.

PRINCIPLES	PAGES
1. Governance	15 – 17, 22, 28, 76, 79 – 81
2. Stewardship Policies	15, 19, 46, 49, 76 – 77
3. Voting	15, 19, 21, 39 – 40, 46-48, 74 – 76
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6. Monitoring of Investee Entities	16 – 17, 19 – 24, 41 – 42
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8. Conflicts of Interest	74 – 76
9. Transparency and Reporting	38 – 67

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