

Vontobel

Vontobel Asset Management, Inc

Japan Stewardship Code

February 2024



The Japan Stewardship Code

As a responsible institutional investor, Vontobel Asset Management, Inc. ("VAMUS", "we") aims to promote sustainable growth at companies in which we invest and enhance the medium- and long-term investment return of clients and beneficiaries. VAMUS is a wholly owned subsidiary of Vontobel Holding AG ("Vontobel"), a Swiss holding company in Zurich, Switzerland. VAMUS accepts the Japanese version of the Stewardship Code published by the Financial Services Agency of Japan, as revised on 24 March 2020.

This document outlines how we as the asset manager for the Vontobel Quality Growth Boutique support the eight principles of the Japan Stewardship Code.

Principle 1

Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities and publicly disclose it.

The White Paper from January 2021 titled *ESG Investment Policy and Integration* ("White Paper") sets out how the Vontobel Quality Growth Boutique implements its stewardship responsibilities.

The White Paper underscores our role to help investors achieve their long-term objectives of growing capital without undue risk. We communicate with our investors regularly. The spirit of the stewardship responsibilities is rooted within our investment philosophy and process. Our philosophy is to deliver returns to investors through long term investments into stable and relatively predictable growth businesses. To achieve sustainable growth over the long term, company officers need to manage the franchises in a sustainable manner. Our investment process involves deep research of companies, their strengths and weaknesses, approach to ESG issues, ability to generate cash flow and balance sheet condition, as well as an ongoing 'purposeful dialogue' with management. We believe it is of great importance for long term investors to be comfortable with the intent and governance of management before an investment decision can be made. We believe engagement is an important element of active stewardship. As stewards of investor funds, we take the right to vote the shares we represent seriously and always vote when practicable and cost effective to do so.

You will find additional information how the Vontobel Quality Growth boutique other Vontobel boutiques approach stewardship based on their asset class, beliefs, and style of investing here: <https://am.vontobel.com/en/esg-investing>.

Principle 2

Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

As an investment adviser, it is our duty to act in the best interest of our clients at all times, which includes disclosing all material conflicts of interest. We seek to avoid or mitigate conflicts of interest that may arise in the normal course of our activities. We do this in several ways:

- (1) Through the issuance of policies;
- (2) Through the training of our employees;
- (3) Through the implementation of controls; and
- (4) Through the monitoring of activity that may present conflict such as employee.

VAMUS has adopted a Code of Ethics describing its commitment to integrity and high ethical standards. The Code of Ethics is based upon the principle that VAMUS and its employees owe a fiduciary duty to clients to conduct their affairs in such a manner as to avoid any actual or potential conflict of interest. Conflicts of interests, the Code Of Ethics and the proxy voting policy are disclosed in Form ADV Part2A/Brochure which is publicly available on the [SEC IAPD website](#).

Principle 3

Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

We have invested significant resources to understand the sustainability of a company's growth and governance issues within the companies we invest in. We look at a broad array of factors, and these vary by sector and company. Our analysis includes reported or publicly available information but goes further to discuss with management their operations and processes which they employ in order to run their business.

We manage a low average company per analyst ratio to allow for deeper understanding of management and the businesses they run. As a result, our research is focused on a deeper understanding of our investments. For investors such as us, with long term investment horizons, structural risks are important as with time any downside is more likely to be witnessed. We therefore invest significant resources into our due diligence of each company in which we invest, and research continues on an on-going basis over the holding period once an investment is made. Our stewardship responsibilities, regarding companies that we invest in, are built into our investment process.

Principle 4

Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

We believe that engaging directly with the management of companies we invest in, represents an important aspect of protecting our investors' interests. We believe a long-term vision mutually shared between us as an investment manager and management of a company is vital to understand the opportunities and potential threats of a long-term investment. Management decisions are key to the future of the business and cover many aspects including: the allocation of capital, growth strategy in a dynamic and often competitive marketplace, the execution of expansion plans, maintaining a solid balance sheet, maintaining good relations with their employees, trading partners and communities they change to previous plans. The long term returns we aim to generate for our customers relies on the ongoing health and growth of the businesses in which we invest. We believe long term returns are positively impacted by a deep understanding of the companies in which we invest and when company management understand what we, as investors, are looking for with an investment in their company including the quality of corporate governance and treatment of minority shareholders.

Principle 5

Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it

should be designated to contribute to the sustainable growth of investee companies.

As an investment team we spend considerable time working to understand how we can improve the effectiveness of our communication with a company. We are always minority investors and therefore, beyond engagement, we need to utilize the votes attached to our holdings to support our views. There is a natural and structural asymmetry of information between management and minority shareholders which needs to be balanced. Even if there is not a problem for many years, or at all, we try to ensure the board structure is favorable to minority interests.

VAMUS has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service to provide research and other assistance with voting client proxies. While we are aware of the research and recommendations made by ISS and in many cases follow their advice, we do not rely solely on their advice as the final decision for all votes rest with Vontobel. The only exception that may apply is if there is a conflict of interest between VAMUS and a client. In those cases, the recommendation of ISS will be followed. A summary of our voting activity by proposal type is available on our website - <https://am.vontobel.com/en/japanese-stewardship-code>

Principle 6

Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

We periodically report on our stewardship responsibilities and voting responsibilities to our institutional investors as required and agreed upon within their investment management agreement. We also provide our customers with detailed quarterly written commentaries discussing the performance of their account.

We maintain records of our proxy votes, and reports of our voting activity are available upon request if you are a current investor. Our proxy voting policies are reviewed and updated annually and reported in Form ADV Part2A/Brochure.

Principle 7

To contribute positively to the sustainable growth to investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgements in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

Fundamental strengths of our investment team include knowledge, investment expertise, and experience. Our investment philosophy is to invest over the long term into companies that can grow their earnings in a stable and predictable manner, and that shareholder returns will be primarily driven by the earnings growth through time. To build the conviction we require in order to invest into a company for many years, we undertake a deep analysis of the company. The knowledge and skill set required to undertake this research is fundamental to our business and we continually invest in improving the effectiveness of our team.

Experience is an important factor in making these investment decisions and our strategy has been run with a consistent style for almost two decades. Over this time, we have accumulated a wealth of knowledge of businesses, operating environments, accounting and familiarity with management styles that help guide our investment decisions. We also utilize the services provided by third party research companies and specialist boutiques to supplement our in-house knowledge when we find it of use.

Principle 8

Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.

As noted in Principle 5, we retain ISS to provide research and proxy voting services. As we view the relationship with ISS as fundamental and important to our investment process, we regularly review their policies to ensure there are no conflicts of interests, that they maintain sufficient resources to effectively run their business and review the research they provide and address issues if needed. We often engage with ISS for a variety of reasons, including but not limited to: clarity on voting recom-

mendations, information on upcoming meetings, and proxy reporting. We believe our relationship with ISS is vital in helping to fulfill our stewardship responsibilities with our clients.

We also retain MSCI and Sustainalytics to assist us with the ESG research. While our research is supplemented by MSCI and Sustainalytics, we always retain the final investment decision related to the stewardship responsibilities.

Important Information

This material contains the opinions of Vontobel which are subject to change without notice. Analysis and integration of ESG factors is qualitative and subjective by nature, and there is no guarantee that the ESG criteria used, or judgment exercised, by Vontobel will reflect the values of any on particular investor. This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product.

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