

An aerial photograph of a city street intersection. The central focus is a large, modern building with a curved, multi-level structure and a flat roof. The surrounding area includes other buildings, parking lots with several cars, and green spaces. The image is overlaid with a white grid pattern in the bottom-left corner and a yellow rectangular block in the bottom-right corner.

Vontobel

Voting and engagement

Report 2025

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 [21](#).

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 addressed, 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 50.

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 receive alerts of forthcoming shareholder meetings, along with the voting recommendations provided by the engaged proxy voting advisors. Portfolio managers and analysts review the voting recommendations, and if they agree, no action is required, and Vontobel votes accordingly. In certain cases, they may have a different opinion; for example, the standard recommendation does not align with 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 outlined 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.

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 toward companies and encourage them to consider ESG aspects.

Reasons to engage

In general, we will engage on any topic when we believe 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 issuers during the bond issuance or restructuring phases and encourage more transparency regarding sustainability matters.

Another reason to engage is when key ESG risks are flagged that can impact future cash flows, or severe underperformance 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 an immediate 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 reduction of carbon emissions will not necessarily immediately impact business continuity or the financial performance of the company. At Vontobel,

we coordinate our investment teams' various engagement efforts through a Vontobel-wide engagement group. This is meant to share best practices and key learnings with the aim of improving our boutiques' interactions with many of our holdings toward 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 ongoing 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 can benefit from specialized expertise and experience. 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 sustain 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 predefined objectives. 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+ ESG specialists.

Engaging as a bondholder

As a fixed income investor of meaningful size, we engage on sustainability risks and underperformance where possible. We can make a difference either during the bond issuance, if the issuer is eager enough to change our opinion about themselves, or once the indentures need to be reassessed, such as during restructuring. Additionally, by occasionally participating in bondholder committees, Vontobel can help resolve 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 toward 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 vigilant about the potential need for escalation. Engagement could be escalated through additional meetings with 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 [37](#).

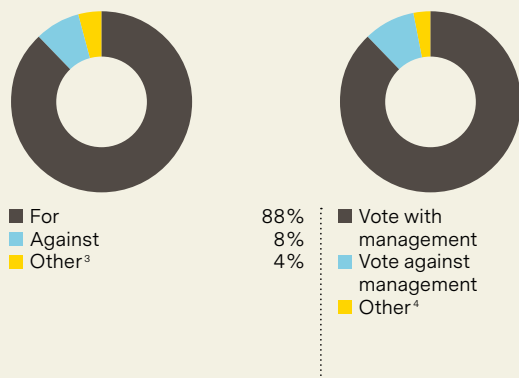
Voting highlights ¹

1,420 meetings

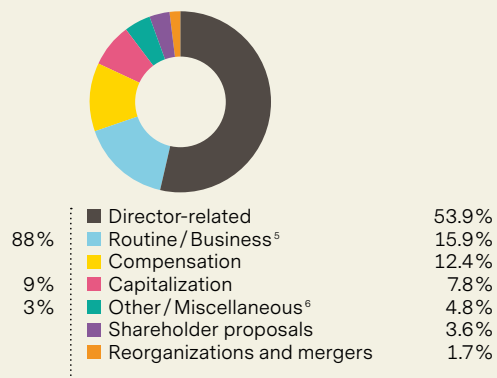
In 2025, we submitted votes at 1,420 meetings, for companies based in different regions, whereby the largest part was based in North America and Europe. 88 percent of voting items were voted “For”, and the remaining items were voted either “Against”, “Abstain”, “Withhold”, “One Year” or “Split”. 88 percent of voting items were cast with management. The remaining were either cast against management, voted split, or had neither recommendations from management nor votes expressed.

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

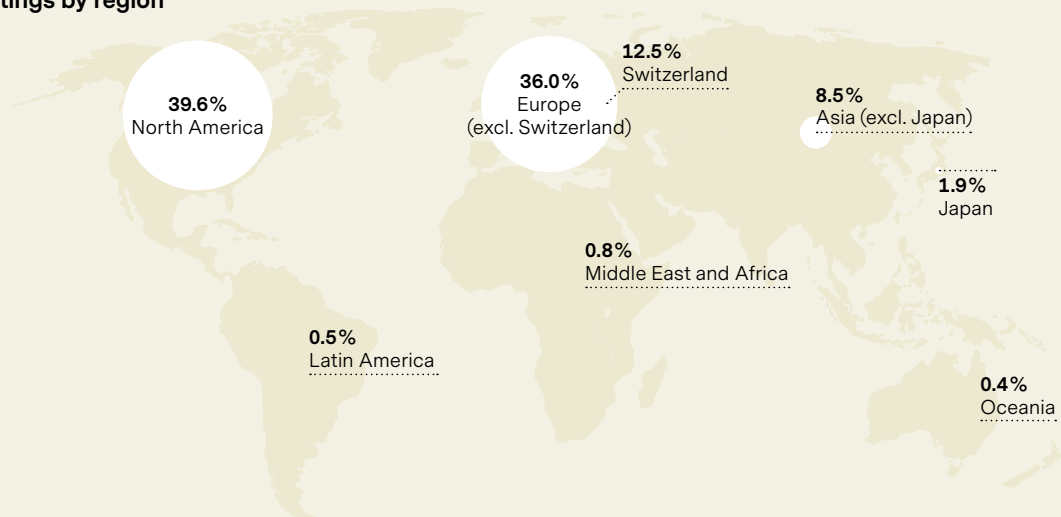
Vote Cast²



Vote by topic²



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

L'Oréal SA

Quality Growth

Independence of the audit committee

Independence of the audit committee is a cornerstone of any effective corporate governance. It ensures that the committee can fulfill its responsibilities without bias, fostering trust and confidence among stakeholders while protecting the organization's long-term interests. In this case, the audit committee is less than 100 percent independent, which we believe warranted the vote against management's recommendations. We had ongoing discussions with the management team expressing our concerns. We will continue to engage with all portfolio companies on the effectiveness of the board of directors' oversight capabilities to ensure that the board can focus on strategic priorities while relying on the audit committee.

PepsiCo, Inc.

Quality Growth

Report on risks related to biodiversity and nature loss

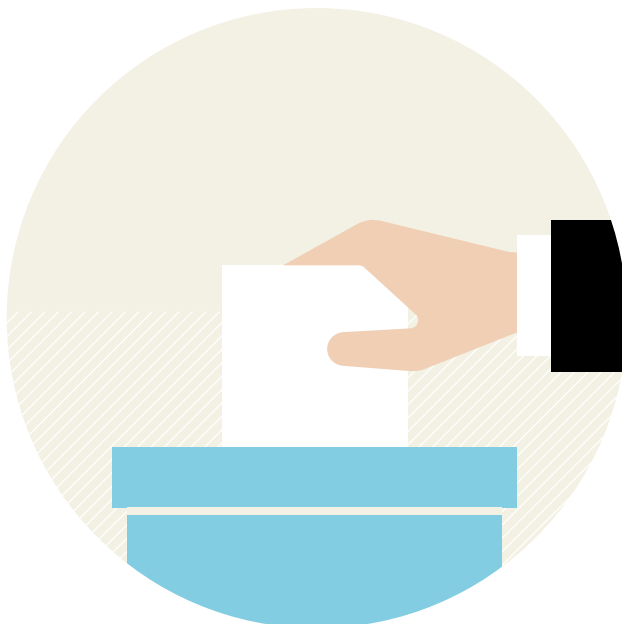
With our vote against management's recommendations, we supported this shareholder proposal advocating for additional disclosure on the company's management of risks related to nature and biodiversity loss. We believe all stakeholders would benefit from additional disclosure on the company's management of risks related to plastic waste creation as part of broader biodiversity considerations. Though the proposal did not succeed, we will continue to support relevant disclosures of ESG-related data.

London Stock Exchange Group plc

Quality Growth

Approve Remuneration Report

Executive compensation plays a pivotal role in our corporate engagement process. We actively engage in ongoing discussions with company management to assess whether that executive remuneration aligns with shareholder interests, company performance, and broader market standards. While we consider the CEO's compensation to be reasonable, we note that it remains relatively high by United Kingdom market standards. In line with our support for the management recommendation and as part of our continued engagement approach, we intend to engage with the company on the proposed adjustments to the long-term incentive plans with a view to encouraging structures that support sustainable value creation. We firmly believe that aligning executive remuneration with measurable progress on relevant ESG considerations can support driving long-term success and fostering trust with stakeholders. As such, we will continue to rather say for meaningful and relevant ESG disclosures that reflect the company's commitment to responsible business practices.



Engagement highlights

In total, we engaged with 129 companies as part of our engagement activities in 2025. These engagements were either directly conducted by us, in collaboration with others, or on our behalf through the engagement pool we subscribe to. Accordingly, the depth of engagement and our level of involvement varied depending on the activity varied depending on the activity. Some of our engagement efforts focused on gaining a better understanding of the company’s activities and the context in which it operates. These discussions provided an opportunity for us to raise important topics and ask questions that are relevant to our investment activities.

In 2025, engagement efforts covered 129 companies through activities conducted directly by us or via our engagement partner, reo®.

Our engagements addressed environmental, social, and governance-related topics, as well as strategy, financial and reporting. While most engagements took place in North America and Europe, we also leveraged our local presence in Asia.

Our engagement toolbox

We believe engaging with companies is not a “one-size-fits-all” approach. Accordingly, we employ different engagement methods, depending on what we believe will be most effective.

Write shareholder letters or emails, outlining specific concerns or proposals, and request a response from the company.	Propose new board members who are aligned with shareholders’ interests. This can be done through a proxy fight or by negotiating with the board.	Make public statements through the media or press releases to draw attention to specific issues or concerns.
Submit formal proposals for consideration at the company’s AGM.	Engage in a proxy campaign to gather votes from other shareholders in support of a particular agenda.	File complaints with relevant regulatory bodies if there are concerns about legal or ethical violations.

In certain cases, we collaborate with other investors to enhance the effectiveness of our engagement activities.

A large part of the assets is covered by the engagement pool of Columbia Threadneedle Responsible Engagement Overlay (reo®).	We selectively join forces with other shareholders to push for specific changes or proposals. A global food & beverage manufacturing company—We worked with another major shareholder to assess social and governance disparities.	We join engagement initiatives, led by leading organizations. In 2024, we joined UN PRI Spring, an engagement initiative focused on biodiversity.
reo® has a 24-year track record of engagement and a team of 20+ active ownership specialists who interact with hundreds of companies every year.		

Case study

Assessing environmental and sustainability challenges in Brazil's leading utility and infrastructure company

Topic

Environmental:

Water Loss, Climate Change

Governance:

CEO Pay and Shareholders Rights

Company profile

Water and Wastewater Utilities & Infrastructure, Brazil

Engagement type

1:1, Email and Teleconference Meeting

Status

Ongoing

Rationale and context

The company is considered one of the world's largest sanitation providers by population served and is Brazil's largest water and sewage utility. It faces significant challenges in reducing water loss, addressing climate risks, and lowering carbon emissions, while balancing the interests of diverse stakeholders. Although its current water loss rate of 29 percent is the best in Brazil, it remains below global standards. To improve water efficiency, the company is implementing network pressure management, infrastructure renewal, and smart meter installations.

To enhance water security, the company is developing a hydrology safety plan and engaging with the government on initiatives such as underground water reinjection and desalination. While drainage management is currently the responsibility of municipalities, the company is exploring potential opportunities in this field.

On the climate front, 95 percent of the company's Scope 1 and 2 emissions stem from methane generated during sewage treatment. The company is exploring ways to utilize methane and aims to reduce emissions by two-thirds. It does not anticipate financial impacts from Brazil's proposed carbon law, as sewage treatment is currently excluded from its scope.

Governance is another key focus, with the company's ownership structure comprising 18 percent government ownership, 15 percent by a private investor, and the remainder held by other shareholders. The board consists of three government representatives, three private investor representatives, and three independent directors. The company is preparing a proposal to disclose CEO compensation, including performance metrics and thresholds, to address shareholder concerns.

The company's sustainability priorities include carbon reduction, circular economy, and water resilience, supported by a dedicated sustainability team of 15 members. However, there is room for improvement in communicating and measuring its sustainability initiatives.

Activity

We held a teleconference call with the company's CFO and Investor Relations (IR) representative. The discussion focused on the company's efforts to reduce water loss, manage climate risks, address carbon pricing risks, disclose CEO pay, and advance its sustainability priorities.

Outcome

During the engagement, the company provided insights into its ongoing efforts to address key sustainability and governance challenges. It is actively working to reduce its 29 percent water loss rate—strong by Brazilian standards but below global industry benchmarks—through measures such as nighttime network pressure reduction, infrastructure renewal, and smart meter installations. In the first half of 2025, the company developed a hydrology safety plan and began discussions with the government on water security initiatives, including underground water reinjection and desalination.

Regarding climate risks, the company clarified that drainage management is currently handled by municipalities, though it is exploring the drainage business as a potential opportunity. On carbon pricing risks, the company noted that 95 percent of its Scope 1 and 2 emissions stem from methane generated during sewage treatment. It is exploring ways to utilize methane and aims to reduce emissions by two-thirds. The company does not expect financial impacts from Brazil's proposed carbon law, as sewage treatment is not currently included in its scope.

Governance discussions highlighted the company's board composition, which includes three government representatives, three private investor representatives, and three independent directors, reflecting its diverse shareholder base. The company is preparing a proposal to disclose CEO pay, including performance metrics and thresholds, which will be announced soon.

In terms of sustainability priorities, the company's 15-member sustainability team is focused on carbon reduction, circular economy, water resilience, and improving the communication and measurement of its sustainability efforts.

We welcome the company's ongoing initiatives and commitments, particularly its efforts to address water loss, carbon emissions, and sustainability priorities. Moving forward, we will continue to engage with the company to monitor its progress on these initiatives, encourage greater transparency in reporting, and assess its ability to address climate and water security risks effectively.

Case study

Strengthening corporate governance through sustainability disclosures

Topic

Corporate Governance

Company profile

Mining and Quarrying, South Africa

Engagement type

1:1, Email and Teleconference Meeting

Status

Ongoing

Rationale and context

The company is a globally diversified gold producer operating in South Africa, Australia, and the Americas and is recognized for its strong focus on sustainability, safety, and operational excellence.

We liaised with the CEO and Investor Relations team twice in 2025 to gain a deeper understanding of the company's progress on key sustainability initiatives, including community relations and safety improvements. The discussion also covered strategic priorities such as labor considerations, employee incentive programs and automation.

Additionally, we evaluated the company's approach to shareholder returns, focusing on its strategy to balance dividends and share buybacks. We also sought to gain insights into the CEO's leadership priorities since his appointment in January 2024.

The collaboration with key stakeholders on safety initiatives and its engagement with indigenous communities reflect its commitment to responsible mining practices.

The discussion also focused on the company's climate targets, including the removal of its SBTi commitment, its alignment with TPI and IEA pathways, and the ongoing mid-term review of its climate goals, with board decisions expected by early 2026.

Activity

During the meetings, the company shared updates on its sustainability and community engagement efforts, highlighting progress in procurement and hiring agreements with indigenous communities, as well as ongoing negotiations regarding royalty arrangements.

The company also discussed its collaboration with key stakeholders on safety related initiatives, including the alignment of safety-related across all operations, which replaced the previous country-specific system.

On the topic of automation, the company acknowledged the challenges of transitioning existing mines due to labor resistance, while noting that automation is more easily implemented in new mines. From an investor perspective, the company emphasized its preference for a balanced approach to shareholder returns, combining dividends with share buybacks.

The CEO outlined his strategic focus since joining in January 2024, which includes enhancing risk management, raising operational standards, and improving safety measures across all operations.

The company provided updates on its gradual emissions reduction targets to 2030 and steeper reductions by 2050, aligned with TPI and IEA pathways, while noting a mid-term review of climate targets is underway. The company highlighted renewable energy and battery projects, such as an Australian initiative expected to cut 19,000 tons of emissions, and efforts to reduce diesel use with hybrid trucks and conveyors. The company shared information on its progress on tailings dam compliance with GISTM, and ongoing chinchilla relocation efforts as part of biodiversity initiatives.

Outcome

The meetings provided valuable insights into the company progress on sustainability and strategic priorities. The company demonstrated a strong commitment to strengthening relationships with indigenous communities through concrete agreements and ongoing negotiations. It also showcased a proactive approach to improving safety and operational standards. While automation in existing mines presents challenges due to labor resistance, the company is actively addressing these concerns. Additionally, there was alignment on the importance of a balanced approach to shareholder returns, combining dividends and share buybacks to maximize value. The calls provided an opportunity to express investor expectations on improving safety, mitigating risks in water and tailings management, and accelerating emissions reductions.

Going forward, we remain committed to maintaining an open dialogue while monitoring its progress on sustainability initiatives and supporting its efforts to address key challenges and deliver long-term value for stakeholders.

Case study

Tracking sustainability pillars in partnership in a leading global e-commerce company

Topic

Environment:

Platform decarbonization, Energy efficiency

Social:

Labor Management

Governance:

Sustainability Linked Compensation

Company profile

E-commerce, China

Engagement type

1:1, Email and Teleconference Meeting

Status

Ongoing

Rationale and context

The company has been a key focus of our engagement efforts since 2021, with seven interactions to date when this report was published, and it operates in a sector where sustainability considerations are critical due to its extensive operations in e-commerce, logistics, and technology.

The key sustainability issues include the efficiency of its data centers, packaging reduction on its platform, delivery rider welfare, platform ethics, compliance, and sustainability-linked executive compensation. We believe that these areas are material to the company's long-term efforts: sustainability, ability to meet stakeholder expectations, including those of investors, regulators, and customers.

Activity

We held a conference call with the investor relations (i.e., IR) and sustainability team to discuss the company's progress in its material sustainability areas for improvement such as: data center efficiency and clean energy procurement, providing insurance for delivery riders, and reducing employee turnover and the integration of sustainability linked performance into executive remuneration, as well as engagement with external sustainability rating agencies.

The company has established a robust three-tier sustainability governance structure, led by its board and senior management, and integrated across all business units. This structure is supported by a formal sustainability disclosure policy and an annual goal management process to track and improve performance.

Outcome

Since 2021, when we started our engagement efforts, the company has made significant progress with its material sustainability pillars. It achieved a low Power Usage Effectiveness (i.e., PUE) of 1.19 in self-operated data centers, improved PUE in leased centers, and exceeded government requirements through clean energy procurement and supplier engagement on decarbonization. The company has also implemented initiatives to provide insurance for delivery riders and reduced overall employee turnover. Governance improvements include integrating sustainability-linked performance into executive remuneration and actively engaging with external sustainability rating agencies.

Despite these advancements, opportunities for growth remain in measuring climate-related capital and operational expenditures, and in mandating packaging reduction with merchants on its e-commerce platform. Overall, the company's efforts demonstrate meaningful progress on the sustainability topics we have been tracking, reflecting the company's commitment to sustainability and continuous improvement.

Case study

Tackling social and governance disparities in a global food & beverage manufacturing company

Topic

Social:
Controversies

Governance:
Supply Chain Management, Management Change

Company profile

Food & Beverage manufacturing company, Switzerland

Engagement type

Collaborative (a group of investors), In-person Meeting

Status

Ongoing

Rationale and context

The company operates in a complex global environment, facing scrutiny over various sustainability issues, processed-food criticism, and reputational risks tied to its supply chain. This engagement aimed to assess the company's progress, challenges, and future focus areas.

We engaged with the senior management to better understand the company's sustainability actions, supply chain management, controversies, and strategic direction, particularly considering last year's CEO transition.

Activity

The group investor meeting covered several critical topics. The company highlighted its use of AI and data analytics to monitor supply chains and improve decision-making, although details on specific applications were limited. The company also acknowledged ongoing controversies, including allegations of child and forced labor, deforestation, and plastic pollution, which pose significant reputational risks. In addition to that, the company's direct sourcing from small farms and operations in high-risk regions exacerbate these challenges, though the company has monitoring systems in place.

The company reaffirmed its commitment to sustainability, maintaining sustainable-linked incentives and adhering to its net-zero plan. Its R&D investments are focused on improving its ranking as the fourth-largest global plastic polluter, with efforts to design recyclable packaging and alternatives to plastic. However, challenges remain in regions with weak recycling systems and consumer behavior.

Lastly, part of our engagement meeting also covered the leadership transition. The new CEO, an internal hire, is expected to bring a deeper understanding of the company and its industry, addressing past issues such as unfulfilled promises and low brand investment. The executive board has adopted a more collaborative approach, with individual KPIs and a focus on innovation. The chairman, a former CEO, emphasized the importance of transparent communication and expressed confidence in the company's strategic direction, despite concerns over market valuation.

Outcome

The engagement provided valuable insights into the company's ongoing efforts and challenges. While the company is making strides in areas like supply chain monitoring, and sustainability initiatives, significant risks remain, particularly around labor rights violations, environmental controversies, and plastic pollution.

The new leadership structure and strategic focus on execution and innovation are promising, and we will continue our engagement on the critical items outlined in the Activity section.

Case study

Assessing climate change risks and supplier sustainability oversight**Topic**

Environment:
Climate change, Pollution, Waste

Governance:
Supplier Oversight

Company profile

Health Care, Switzerland

Engagement type

1:1, In-Person Meeting

Status

Ongoing

Rationale and context

The company is an active player in the healthcare industry and offers healthcare services and products throughout Switzerland. Its customers include patients, pharmacies, drugstores, physicians, hospitals, care homes, home care organizations, health insurers and pharmaceutical companies.

Progress in sustainability includes a commitment to ensuring that 75 percent of its suppliers (by emissions) covering purchased goods, services, and upstream transportation commit to science-based targets (SBTi) by 2030. Additionally, the company aims to reduce absolute Scope 1 and 2 GHG emissions by 65 percent by 2035, using 2023 as the base year. No net-zero targets have been set yet – only a commitment to achieve net zero by 2050.

Climate risks are integrated into the company's risk management framework, with contingency plans in place, though no significant financial impacts are anticipated from those climate risks. The company has decided not to participate in Carbon Disclosure Project (CDP) disclosure next year, explaining that the questionnaire is too complex and administratively demanding.

The healthcare provider's sustainability focus is largely centered on social initiatives, such as restructuring job roles to transfer specialized tasks from leaders to other employees. This restructuring enables career development, training, increased responsibility, and higher wages, addressing concerns about job monotony and low salaries in the pharma retail sector. Additionally, the company has abolished its mandatory retirement age, allowing employees over 60 and even 65 to continue contributing actively to the workforce.

On the technology front, the company has implemented six annual IT security awareness initiatives.

Supplier sustainability oversight is limited, with 12 annual assessments in 2025 based on the Supplier Code of Conduct, an increase from none in 2023. However, there are no supplier audits.

Activity

We met with senior management to discuss the company's sustainability and strategic initiatives. Key topics included sustainability goals, climate risk management, social initiatives, IT security efforts, supplier sustainability oversight, and strategic business expansions. We also reviewed the company's sustainability reporting practices and future plans, including the decision to change its auditor in 2028.

Outcome

The engagement highlighted the company's progress in sustainability, particularly its SBTi commitments and goals, and the target to reduce Scope 1 and 2 absolute emissions by 65 percent by 2035. The company's focus on social initiatives, such as restructuring job roles and abolishing the mandatory retirement age, was also recognized as a positive step toward addressing employee concerns and enhancing workforce motivation.

However, several areas for improvement were identified. These include the lack of commitment to net-zero targets, and the absence of specific targets for packaging and the circular economy. Additionally, supplier sustainability oversight remains limited, with only 12 annual assessments and no supplier audits, and IT security efforts lack clarity on ISO 27001 certification.

Strategically, the company's expansion of its laboratory business and its enhanced role in healthcare were noted as positive developments, particularly as pharmacies take on greater responsibilities in response to the decline in general practitioners. The company's emphasis on medication availability and safety, as well as its integration of employee motivation and customer satisfaction into short-term incentive structures, was also welcomed.

Finally, while the company's sustainability reporting is comprehensive, we emphasized the need for improve-

ments in data presentation and visualization to enhance transparency and accessibility. Going forward, we will continue to monitor its progress on sustainability and strategic initiatives, with a focus on addressing the identified gaps in target-setting and reporting on climate change, and supplier oversight.

Case study

Dialogue with management on human rights and AI governance

Topic

Social:
Human Rights

Company profile

Microsoft

Engagement type

Collaborative, conducted by reo®

Status

Ongoing

Rationale and context

Microsoft ranks #1 in the 2025 Digital Rights Index and publishes annual Responsible AI Transparency Reports. However, controversies surrounding Azure and AI use in conflict zones, as well as data center expansion in high-risk jurisdictions, have raised concerns about the effectiveness of its human rights' due diligence. Ahead of December 2025 AGM, shareholder proposals have sought risk assessments on AI misuse and data center siting, making engagement critical to evaluate governance and enforcement practices.

In 2025, Microsoft completed two significant Human Rights Impact Assessments (i.e., HRIAs) covering the generative AI development cycle and human rights saliency, with executive summaries forthcoming. Additionally, the company established the "Trusted Tech Group" following its 2023 HRIA on AI use in U.S. law enforcement.

The company confirmed terminating services to Israeli entities found to be violating terms of service, demonstrating a willingness to enforce its stated AI principles. However, this enforcement has been reactive rather than proactive. While Microsoft ranks #1 in the RDR Index with a perfect score of 100/100 on governance, it scored 0 percent on enforcement disclosure.

Microsoft is in the "early stages" of operationalizing HRIA findings, with five identified focus areas: digital rights, privacy, safety, employee well-being, and health & safety. However, implementation remains in progress and is not yet fully operational.

Activity

reo® engaged with Microsoft's Responsible Business Practices, Supply Chain Operations, Product Service teams, Responsible Investment Legal Lead, Attorney, and ESG Engagement Director as part of the ICCR collaborative group focused on the Ranking Digital Rights initiative. The primary goal of this engagement was to assess Microsoft's human rights due diligence processes and AI governance structures.

Outcome

As a result of the collaborative engagement, approximately 27.5 percent support was achieved for a human rights assessment proposal at Microsoft's December 2025 AGM. Concerns were raised regarding the use of Microsoft's Azure and AI products during the Gaza conflict, which the company acknowledged as a rare instance. Microsoft also recognized the need to address significant human rights risks across its global operations. Following the AGM, Microsoft issued its 2025 Human Rights Transparency Report, which was welcomed as a positive step forward.

However, reo® identified several areas for improvement, including strengthening due diligence processes to better address human rights risks, broadening employee reporting mechanisms to enhance internal accountability, and refining pre-contract review protocols for higher-risk engagements to prevent misuse of technology.

Looking ahead, reo® will continue to engage with Microsoft to monitor the implementation of its HRIA findings, advocate for stronger human rights and AI governance, and ensure that Microsoft transitions from reactive enforcement to a more proactive approach in addressing human rights risks across its global operations.

Case study

Engagement with Toyota about privatization valuation process

Topic

Corporate Governance

Company profile

Toyota Industries Corporation

Engagement type

Collaborative, conducted by reo®

Status

Ongoing

Rationale and context

reo® engaged with Toyota Industries Corporation management through the ACGA Japan Working Group to address concerns regarding the valuation process for its privatization by the Toyota Group. The discussion focused on key issues related to corporate governance and the protection of minority shareholders.

Toyota's management explained that the privatization represents the best timing to support the company's future growth. However, investors raised several concerns, including:

- The choice of valuation methodology (i.e., discounted cash flow).
- The approaches used for property and land valuation.
- The independence of group minority shareholders in the process.

These concerns reflect broader issues about the transparency and fairness of the privatization process, as well as the adequacy of corporate governance practices and the safeguarding of minority shareholder interests.

Activity

During the engagement, reo® discussed the valuation process with Toyota Industries Corporation's management. While management acknowledged investor concerns, they demonstrated limited willingness to address the suitability of the valuation methodology. They stated that they would take investor feedback into consideration but emphasized that the process involves an independent review, with no indication of plans to modify their approach.

Toyota's management also noted that the privatization transaction is awaiting regulatory approval and that the special committee will present its findings to the board before finalizing the process. In response to the lack of clarity, reo® requested additional meetings with independent directors or members of the special committee to further discuss these issues.

Outcome

The engagement highlighted ongoing concerns about corporate governance standards and the protection of minority shareholders in the privatization process. While management provided some assurances about independent review, their limited willingness to discuss the valuation methodology raised questions about the transparency and robustness of the process.

This engagement underscores the critical importance of independent oversight and transparent valuation processes in corporate transactions that significantly impact minority shareholders.

reo® will continue to monitor the situation and follow up with additional discussions to ensure that these concerns are addressed.

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