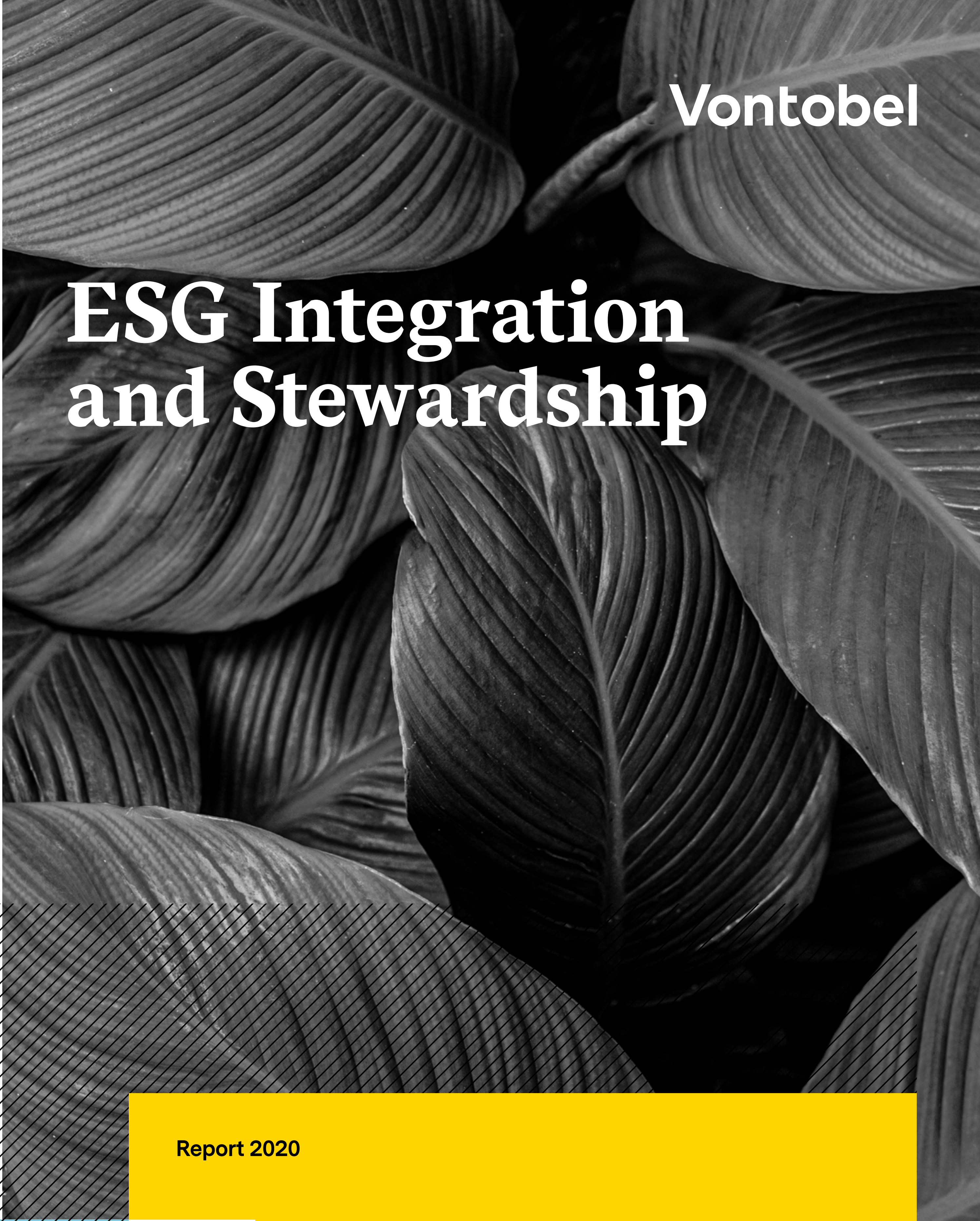


Vontobel

ESG Integration and Stewardship

Report 2020

Asset Management

Content

Foreword

Well-managed, responsible companies are good investments in principle. Companies with good corporate governance, for example, are better able to manage their risks, find it easier to attract and retain good employees and contribute to a stable, prosperous business environment through their actions and business behaviors. Good environmental, social and governance standards are in the best interests of companies if they want to be successful in the long term.

The capital market and therefore investment managers such as Vontobel play a special role through their power to allocate capital, the fuel of every company. Successful companies, in turn, are the basis for a healthy economy and thus for a prosperous society.

As an active asset manager and wealth manager, our goal is to invest exclusively in well-managed companies for our institutional and private clients. Unlike passive asset managers, we do not invest in indices, but select the best investment opportunities for our clients. We have made it our mission to support top-performing companies, which is perfectly aligned with our performance promise to our clients. This naturally means we observe state-of-the-art ESG standards and analyze material ESG risks in our investment decisions. We offer dedicated investment solutions that invest in companies providing products and services that aim to tackle today's pressing problems such as resource scarcity and climate change.

Sustainable investing poses a myriad of implementation, regulatory, and reporting challenges. We accept these challenges with a sense of duty to the environment, society and to you, our clients. We approach these challenges with confidence as our commitment to sustainable business is built on solid foundations: Since Vontobel's inception in 1924, responsible entrepreneurship been a part of our corporate culture. For example, Vontobel has been carbon neutral since 1 January 2009 and ranks among the most climate-friendly financial institutions according to CDP (formerly the Carbon Disclosure Project). Vontobel is built on the values of our founder and the Vontobel family who, as our anchor shareholder over several generations, remains committed to the business to this day.

Sustainable, long-term business relationships are built on trust, and trust requires transparency. Therefore, we believe it is our job to communicate with our clients according to their needs; we educate and inform you about how we are investing on your behalf. This allows you to maintain confidence in how we manage the capital you entrust to us and enables you to choose the products and services that best fit your needs.

It is in this spirit of transparency that I gladly share with you our ESG Integration and Stewardship Report 2020. I trust that you will find it informative and hope that it can act as a basis for ongoing dialogue between us, on how we may continue to work with you in providing sustainable, long-term solutions to your investment needs.

Dr. Zeno Staub
Chief Executive Officer, Vontobel

Our profile

Reliable partner

We aim to be a reliable partner for our clients and support their investment goals. We seek to develop first-class investment solutions that help meet their needs. The fact that we invest alongside our clients makes us a partner and means our interests are the same.

Long-term value creation

Value creation is our top priority. This is why we focus on active management and invest only when we are convinced that the investment can pay off in the long term. We firmly uphold our tried-and-tested investment processes so that we can repeat our performance.

Shared convictions

Clear convictions are vital for investment success. Our convictions are based on constant and uncompromising analyses and calculations. We share our results with our clients so that they can invest with the same conviction.

Sustainable investing

As a globally operating investment firm, we are aware that we have a responsibility to our stakeholders to play an active role in the sustainable transformation of our economy and society for future generations. More than 25 years after launching our first sustainable investment solution, we still invite our clients to invest sustainably and help them drive positive changes for both the world and ultimately their earnings.

5 boutiques
covering equities, fixed income and multi-asset investments

18 locations
across Europe, the US and Asia Pacific

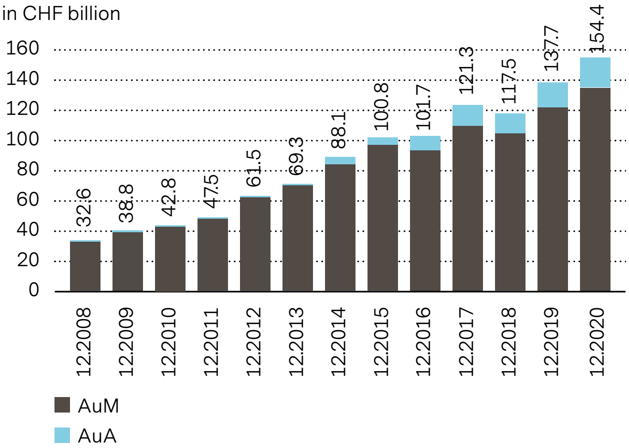
200+ investment specialists

30+ ESG experts
in research and portfolio management looking at ESG-related aspects

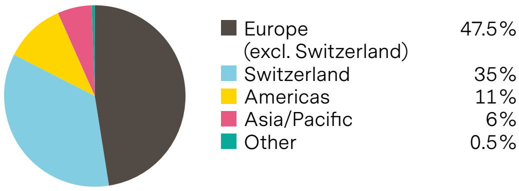
50.9 % family-owned
parent company ensures entrepreneurial independence

Total client assets

in CHF billion



AuM by region



AuM by client segment

ASSET CLASS	BOUTIQUE	CLIENT ASSETS IN CHF BN*
Equities	Quality Growth	34
	Sustainable Equities	17
Fixed Income	Fixed Income	24[1]
	TwentyFour	24[2]
Multi Asset	Multi Asset	51[3]

* Boutique client assets exclude USD 3.0 bn private label funds and USD 3.4 bn assets managed by Impact & Thematics (sitting within Wealth Management).
[1] Includes USD 0.2 bn advised client assets.
[2] Includes USD 0.4 bn advised client assets.
[3] Includes USD 16.3 bn advised client assets. As of December 31, 2020.

Source: All data as of December 31, 2020

A client-centric investment firm

At Vontobel, where we are operating from a position of strength, we want to actively seize the 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. Vontobel's evolution into a client-centric investment firm that harnesses the power of technology for the benefit of its clients is the logical next step based on our value proposition "Driven by the power of possibility. Delivering the edge". 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.

Our Vision 2030 – our Lighthouse
In 2030, Vontobel will be recognized as one of the leading and most respected 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 center of what we do. We are investment-led and our solutions are best in class for alpha, beta and income products.

→ Our long-term Vision has been broken down into an agile two-year rolling plan. The way we work together, through our Client Units and Centers of Excellence, all connected by a flat management structure, best supports our Vision 2030. Read more about it in the Vontobel Annual Report 2020 (page 12) under vontobel.com/financial-reporting.

Move to a pure-play investment manager based on our 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 that are 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 are technology-enabled and will exploit the power of technology even more in the future than we do at present. We want to anticipate the wishes of our clients so that we are always ready to deliver the right solutions. 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 four strategic levers applied to our ESG Franchise
At Vontobel, we recognize that we have a responsibility towards our stakeholders to play an active role in sustainable transformation. At the same time, we believe the power of sustainability will be part of our future growth. There is a natural fit between sustainable finance and our purpose. Driven by the power of possibility. Delivering the edge.

Thus, we strive to gradually integrate ESG considerations in more and more operating and investment decisions. This is reflected in the way we work, for example with our ESG governance structure involving all relevant stakeholders. Accordingly, as explained below, our four strategic levers also apply to our ESG Franchise, and we strive to continuously improve in these areas.

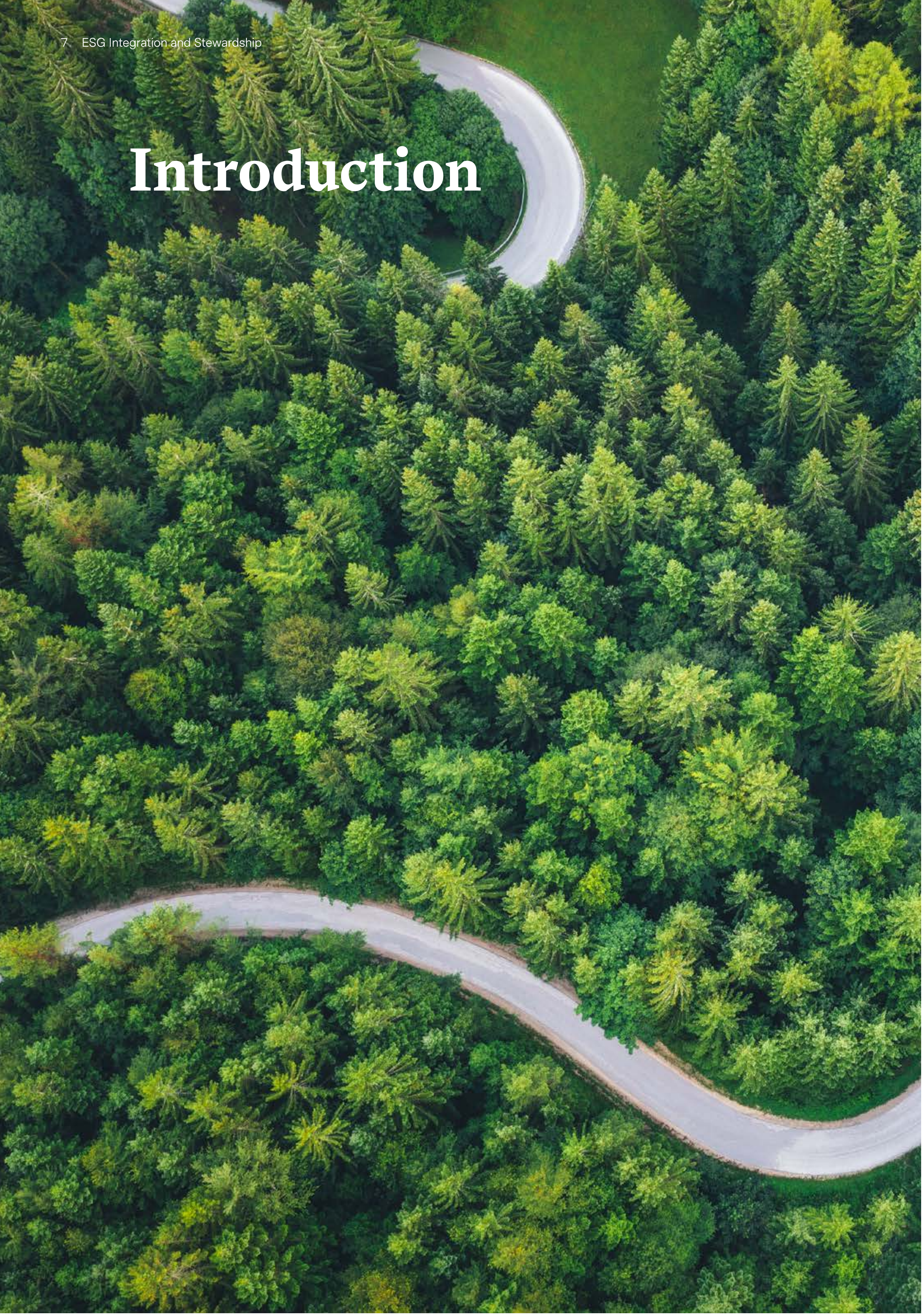
Client-centric
We offer a broad range of sustainable investing solutions to reflect the values of our clients and allow them to seize the opportunity arising from the sustainability transition. We are close to our clients to best understand their needs, also in terms of sustainable investing.

Investment-led
Through the incorporation of ESG considerations into our investment processes, we aim at improving the long-term risk-return characteristics of our portfolios.

Technology-enabled
Our investment teams, together with specialized engineers, develop best-in-class ESG tools, tailored to their strategies, asset classes and geographies, and leverage ESG data from leading providers.

Powered by people
Our ESG experts build on several years of experience developing ESG strategies. Having them embedded in our boutiques foster ongoing ESG knowledge sharing across our organization.

Introduction



Our ESG activities in 2020

29.5 bn

CHF AuM in sustainable strategies, representing 21 % of our AuM.[1]

→ More about our product categories on page 16.

Top 3

Vontobel is one of the leading ESG asset managers in Switzerland and Europe.

In 2019, Vontobel was the third biggest ESG asset managers in Switzerland according to a study conducted by Swiss Sustainable Finance.[2]

27

We currently market 27 strategies with sustainability criteria and are able to offer customized solutions based on client specific requirements.[1]

90 %

For 90 % of our total AuM, ESG risks are integrated in the investment process.

→ More about our ESG Integration philosophy on page 16.

“Prime”

ISS-ESG, an independent ESG ratings agency has awarded ‘Prime’ status to Vontobel. MSCI, Sustainalytics, ISS ESG have given Vontobel above-average sustainability ratings in environmental and social dimensions.

A+

Vontobel is a signatory of the Principles of Responsible Investment (PRI). We were awarded, in 2020 again, an A+ for the PRI module “Strategy and Governance”, and ratings above the market median in all other modules.

1

In June 2020, Vontobel was recognized as “Best Swiss Asset Management Company” during the Swiss Sustainable Finance Awards ceremony.[3]

[1] As per 31.12.2020
[2] Source: “Swiss Sustainable Investment Market Study 2019” published by Swiss Sustainable Finance (SSF)
[3] Source: voxia.ch

Our ESG journey

Responsible entrepreneurship has always 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's history dates back to 1924. Even in those difficult years, the founding generation, led by Jakob Vontobel, was committed to working according to clear values, which laid the foundations for our business today.

1998

Vontobel's first sustainable investment solutions
The first investment solutions followed a best-in-class approach, i.e. investing in companies with above-average sustainability, 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 ten "Sustainability Principles"
Vontobel defined its commitment to sustainability in exact terms in 2007 in the form of its ten sustainability principles. Based on these principles, the Sustainability Committee formulates our sustainability strategy with specific targets. More about these principles on page 11.

2008

Vontobel became a member of the Carbon Disclosure Project (CDP)
Vontobel became a signatory of CDP and its climate change, water and forest programs. In 2016, Vontobel made it into the top ten of financial services providers within the DACH region, which comprises Germany, Austria and Switzerland.

2009

Vontobel became climate neutral
The Vontobel Group is to offset the carbon dioxide emissions caused by its business activities from 1 January 2009 by voluntarily buying climate certificates that serve to promote renewable energy projects. Vontobel implements a wide range of measures to reduce emissions, including optimizing the energy consumption of buildings, buying electricity from renewable sources, reducing food waste, and saving water and other resources.

2010

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

In 2020, Vontobel has been awarded an A+ for the PRI module "Strategy & Governance" and grades above the market median in all PRI modules.

2011

Group-wide exclusion of controversial weapons
All our investments have to fulfil 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

Sustainable Investing Policy
This policy details how Vontobel approaches sustainable investing. In particular, it explains our rationale, our SI objectives, governance structure and how we implement this policy across our business divisions.

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 sustainable development of the environment and society.

→ Find more about our memberships on page 50 and on our website under vontobel.com/ratings-and-memberships.

Vontobel's 10 sustainability principles

1. Vontobel is committed to the principle of ***sustainable development***.
2. When advising our clients, we focus on their ***long-term satisfaction***.
3. We are responding to a growing demand among clients by ***offering innovative investment services that take account of the opportunities and risks related to sustainability***.
4. As an organization with a ***long-term focus***, we generate sustained increases in the value of our company for our shareholders through measures that include the consideration of environmental and social issues.
5. Together with our charitable foundations and through the personal commitment of each individual, Vontobel strives to create ***social and cultural added value***.
6. We engage in an ***active dialogue*** with the public about sustainability issues.
7. We are an ***attractive and fair employer***.
8. We ***make our employees aware of the opportunities and risks relating to sustainability*** on a continuous basis.
9. We ***reduce the environmental impacts of our business activities*** as far as possible, thus also making a contribution towards climate protection.
10. We set ***specific sustainability targets*** and ensure that we have ***appropriate management structures and processes*** in place to facilitate the continuous improvement of our performance.

These ten principles have been in place since 2007.

Our conviction on ESG

Our responsibility as globally active investment manager in a changing world
The world is facing powerful trends involving major economic, environmental, and social changes. These trends result in risks and opportunities for investors. Through the incorporation of ESG considerations into our investment processes, we aim at improving the long-term risk-return characteristics of our portfolios and/or at reflecting clients' values.

As a globally active investment manager, we recognize that we have a responsibility towards our stakeholders to play an active role in the sustainable transformation of the economy and society for future generations. We believe our business decisions have the potential to significantly impact society and the environment. Paying attention to ESG topics is part of our fiduciary duty and helps ensure that we build resilient solutions.

Proven expertise in the sustainable investing field
Vontobel has proven expertise in the field of sustainable investing. Since Vontobel's foundation, responsible entrepreneurship – i.e. a sustainable approach to business – has always been a part of Vontobel's corporate culture thanks to the values of our founder and the Vontobel family.

Today, our competencies and offering in the area of sustainable investing are a strategic focus in Vontobel's growth strategy. In terms of environmental sustainability, we want to take targeted measures when conducting our own operations to achieve a significant reduction in CO_2 emissions and other factors that are harmful to the environment. Vontobel has been carbon neutral since 1 January 2009 and ranks among the most climate-friendly financial institutions according to CDP (formerly the Carbon Disclosure Project).[1]

As a pioneer in the field, we have offered our clients a wide range of sustainable investment solutions since the 1990s, across equity, fixed income, and multi asset sectors.

→ Read more about our ESG journey on page 9.
More details about how Vontobel manages own operations from a sustainability perspective are available in our Sustainability Report under vontobel.com/sustainability-report.

Sustainable investing as an opportunity
Vontobel wants to engage in a dialogue with stakeholders about the challenges ahead and to show how this transformation process is creating unique opportunities for investors. Our goal is to help our clients to invest according to their ethical values while generating higher returns and reducing portfolio risk.

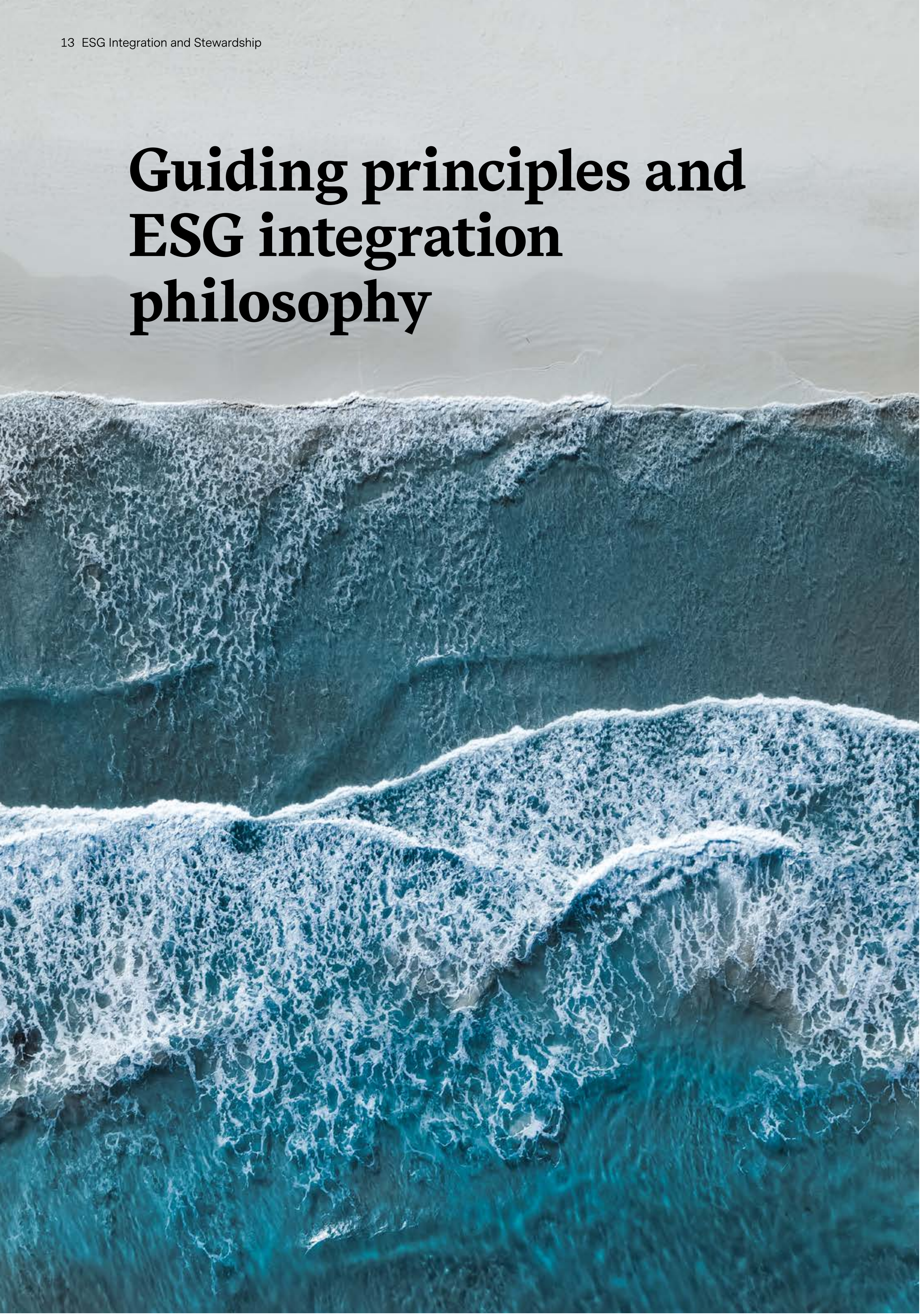
Particularly for investments, we believe considering ESG criteria can help increasing returns on the one hand, but also reducing volatility. Understanding issues around a company's operations, or a country's governance can significantly impact the long-term value of an investment. One of our core aims is to invest in companies and countries where ESG risks are understood, pro-actively managed, and mitigated.

We strongly believe an effective identification of material ESG risks and opportunities requires thorough analysis, because material ESG factors are often of a medium to long-term nature and difficult to quantify as contributors to near term performance. For this reason, we emphasize the importance of transparent communication if, and how, material ESG considerations influence the decision making of our investment managers.

We believe active management requires specialization. Our boutiques draw on specialized investment talent and tailor-made strategies. Thus, our ESG integration process is part of the overall investment process. Our dedicated ESG analysts are an integral part of the investment teams and their focus lies on specific asset classes. We conduct our own ESG research and leverage several sources of information, to build our own opinion on trends and companies.

[1] Source : CDP

Guiding principles and ESG integration philosophy



Our guiding principles and policies

At Vontobel, we have different policies in place guiding our business and investment activities. Already in 2007, we agreed on ten Sustainability Principles.

Two key documents form the basis of Vontobel's sustainability commitments.

Vontobel's ten Sustainability Principles
The Sustainability Principles, already presented on page 11, define the areas in which we take action to implement our sustainability strategy.

Code of Conduct
Our Code of Conduct defines basic principles that employees must observe to ensure that we perform our business activities in a fair and forward-looking manner.

In particular for our investment activities, we have further policies in place.

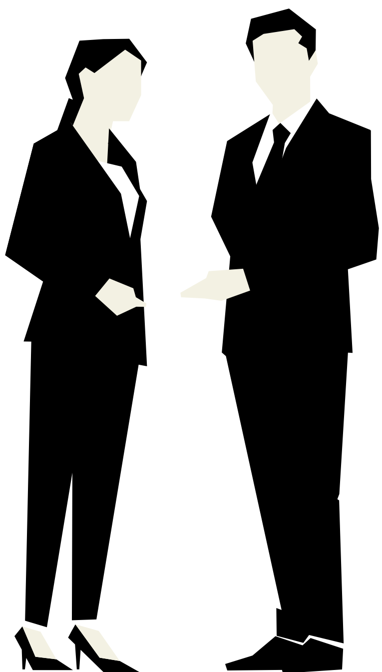
Guidelines on cluster bombs and landmines
Cluster bombs and landmines are banned by international convention. In 2012, Vontobel approved a Group-wide guideline that prohibits investment in companies that manufacture these types of weapons.

Sustainable Investing and Advisory Policy
This group-wide policy details how Vontobel approaches sustainable investing. In particular, it explains our rationale, our sustainable investing objectives, governance structure and how we implement this policy across our business divisions.

Voting and Engagement policies
We actively exercise voting rights for all sustainable and themed Vontobel funds. Furthermore, we maintain an active dialogue with all companies in which the funds invest. Vontobel Asset Management has a voting policy and engagement policy in place. They define how Vontobel Asset Management fulfils this responsibility.

The Vontobel Sustainability Committee and the ESG Investment Governance Committee review the policies related to our sustainability approach on a regular basis. Any amendments to the policy may then be made by the compliance function and executive management and must be duly approved by the Head of Asset Management.

→ Find out more about our guidelines and policies in our ESG Library on page 62.



ESG governance structure

Vontobel Sustainability Committee

The Vontobel Sustainability Committee oversees all Vontobel’s sustainability activities across the organization. It consists of representatives from all divisions and is chaired by Vontobel’s CEO. Based on Vontobel’s Sustainability principles, the Committee is responsible for setting and revising the sustainability strategy and targets. Progress against the sustainability strategy is assessed on an annual basis. This assessment serves as the basis to set priorities and further measures.

The Committee is responsible for sustainability related policies applying at Vontobel group-level, such as the Sustainable Investing Policy.

We believe that by transferring the responsibility to the Vontobel Sustainability Committee, sustainability issues can be managed holistically and thoroughly. With Vontobel’s CEO as the Chairman of the Committee, sustainability issued are supported through a top-down driven approach.

↓

ESG Investment Governance Committee

The ESG Investment Government Committee is responsible for the coordination of the different investment strategies regarding environmental, social, and governance issues, overarching principles and policies, and generally advances ESG throughout the various investment teams in Vontobel Asset Management. The Committee consists of representatives of all Asset Management boutiques and meets once a month. The Committee reports directly to the Vontobel Asset Management Executive Committee.

↓

Investment Boutiques

Each boutique has the latitude to implement tailor-made ESG solutions according to its asset classes and strategies, within the applicable policies. In order to ensure accurate and consistent product classification, each boutique has to present its investment solutions to the ESG Investment Governance Committee. Depending on the ESG investment approach and philosophy, the committee assigned each investment solution to one of three product categories: “Sustainable”, “Integrated ESG”, and “No ESG”. (More information about our product classification on page 17).

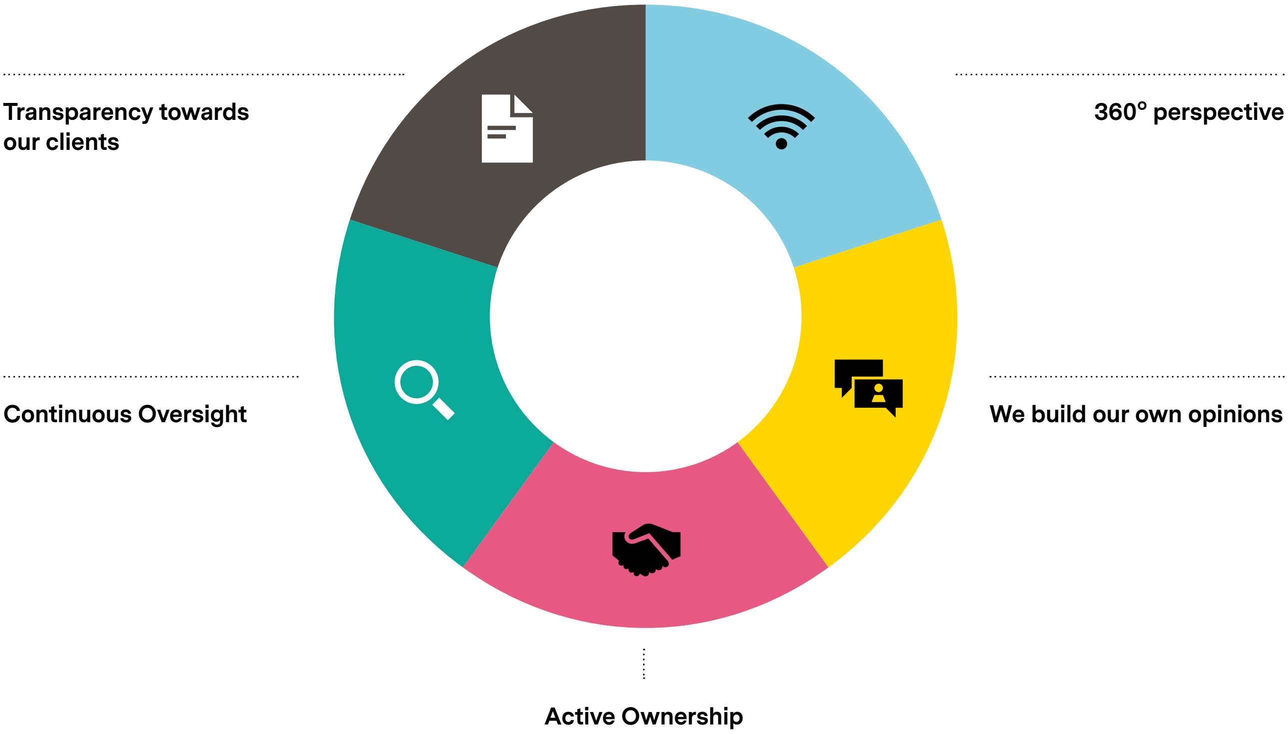
Each boutique has an ESG Lead, supervising the ESG approach. ESG analysts are embedded in our boutiques to support our investment decisions.

→ More information about our ESG-related governance processes on page 41.

Our integration philosophy

Our ESG Integration philosophy is ***the common ground of all our ESG and sustainable investment solutions*** and reflects our conviction about ESG. Our investment boutiques are highly specialized. Thus, the implementation of our ESG integration philosophy is tailored to our investment strategies.

→ Find out more about our investment strategies and how ESG is integrated on page 53.



360° perspective
We do not rely on a single source of information and we strive to build a holistic picture on trends and companies.

We build our own opinions
We conduct our own ESG research and leverage several sources of information whenever possible.

Active Ownership
We believe that active ownership adds value between long-term partners, e.g. investors and management.

Continuous Oversight
We monitor ESG risks and controversies on a continuous basis with risk management oversight.

Transparency towards our clients
We strongly believe our messaging must match our investment process and provide an honest picture to our clients.

Classification of our products
All investment solutions offered by Vontobel exclude cluster bombs and landmines. However, two categories of products go another mile. In 2020, we put all of our investment solutions – especially the sustainability-oriented ones – on the "ESG test". For this, we defined two product categories: "Integrated ESG" and "Sustainable". For the analysis and classification of all our investment solutions, each boutique presented its investment solutions to the ESG Investment Governance Committee. Depending on the ESG investment approach and philosophy, the committee classified the investment solutions presented into one of the two product categories.

Integrated ESG
Our Integrated ESG products share our ESG integration philosophy.

ESG risks are taken into account and analyzed for our investment decisions. Finally, a transparent communication is provided.

Sustainable
For our Sustainable products, we apply also value- and standards-based sector exclusions[1], and cultivate an active dialogue on critical business behavior and serious controversies, with corporates and countries.[2]

Our Listed Impact Strategies fulfill the same requirements, and in addition aim to invest in companies that contribute to the sustainable development of the economy and society and seize opportunities arising from this transition.

[1] Our value- and standards-based sector exclusions are linked to thresholds. The list of the exclusions we apply for our sustainable products can be found under vontobel.com/sustainable-investing.
[2] Examples of critical business behavior and controversies are issues related to competition, tax, product safety, involvement in violent conflicts, and breach of human and democratic rights.

360° perspective

We do not rely on a single source of information and we strive to build a holistic picture on trends and companies. To do so, we use data from different leading ESG data provider, like MSCI ESG or Sustainalytics. In some cases, where we identify a need, we may use local or a specialist ESG data provider to enhance our insights.

However, in some cases, the information provided by our ESG data provider may not be sufficient. Thus, fact-finding engagement may be conducted, directly by our investment specialists. 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.

The setup of our Quality Growth strategies team is a good example on how we may conduct fact-finding engagements. 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.

We set high expectations for the services provided by ESG data providers, and they should meet our needs, in terms of quality of data, quality of service and breadth of coverage. The ESG Investment Governance Committee reviews or supervises reviews of our external partners, periodically and, usually on an annual basis. Because all boutiques are represented in the ESG Investment Governance Committee, it provides a platform to raise concerns, for example those related to service providers.

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

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

Our 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.

Our service providers
- MSCI ESG
- Sustainalytics
- SynTao Green Finance
- Refinitiv
- Inrate
- Freedom House
- Political Risk Services

Proxy voting and engagement service providers
- Hermes EOS
- Institutional Shareholder Services
- ETHOS

ESG analysis and reporting
- YourSRI.com
- ISS ESG

→ Read more about how we monitor service providers on page 44.

We build our own opinion

We conduct our own ESG research
We believe actively managed proprietary ESG analysis informed by third-party ESG providers adds value compared to simply using raw ESG scores. Leveraging several sources of information and building our own view on trends and companies is essential to our ESG research process. Our ESG analysts have access to multiple data providers and may conduct fact-finding engagement, to shape their own view (more details on page 23).

Our ESG research is embedded in each boutique. Our proprietary tools meet the needs of the investment strategy. An example is the in-house yardstick, the so called "Minimum Standard Framework" developed for our mtx strategies. This sector-specific tool considers up to 25 material ESG factors with relevance to future cash flows and helps the investment team to evaluate each company's ESG risks and opportunities. Each indicator is scored, and minimum scores are set for developed and emerging markets. The Minimum Standard Framework informs the decision-making process adding consistency and discipline to areas which may be highly subjective.

Articles, white papers and Viewpoints on ESG related topics and in-depth explanations of their ESG approach are frequently published.

→ Read more about the 10 challenges for ESG ratings we have identified and how to address them as an investor on page 56. More research white papers are available on our website under am.vontobel.com/insights/white-papers.

Our ESG experts
We operate as a multi-boutique, where each boutique draws on specialized investment talent to deliver tailor-made strategies to our clients. Our ESG process is part of the overall investment process and is tailored towards the specific goals of each strategy. Our dedicated ESG analysts are an integral part of our investment teams, focused on specific asset classes. We believe that the deep integration of ESG know-how across all our boutiques helps us make better investment decisions. By embedding our ESG analysts in each investment boutique, our clients benefit from deep expertise in specific investment cases. In total, more than 30 employees work on ESG strategies, either on the portfolio management side or on the ESG research side. More than ten of them are exclusively dedicated to ESG research.

The boutiques are supported by the newly created ESG Center. Collaboration and good coordination are at the core of our strategy. The ESG Center is an independent, cross-boutique and cross-regional entity, responsible for implementing the ESG Investing strategy, advising the boutiques in their ESG approaches, and driving shared ESG initiatives. It also provides a platform to share information on ESG analysis, latest regulatory, market and product developments in the ESG context.

We believe this integrated structure will bring even more relevance to ESG considerations into our investment decisions.

→ More about our ESG expertise on page 47.

Active Ownership

We believe active ownership adds value between long-term partners. We engage with companies and sovereign issuers for updates and issues of concern. Since 2019, Vontobel Asset Management has had voting and engagement policies in place.

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 Asset Management 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 Asset Management 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.

→ More information about our voting and engagement activities on page 23.

Continuous oversight

Risk Management Framework and governance
Risks are differentiated between investment risks, which also include market risks, and non-investment risks, whereby risks may be interconnected.

Risk Management at Vontobel Asset Management is carried out by an independent unit of 26 staff in Zurich, London, and New York, working closely with the Investment Control unit of 12 staff in Zurich.

The governance of the risk management framework is ensured through two central bodies, the Investment Performance Forum and the Operational Risk Committee, supported by four bodies based within the business unit, the Investments Risk Meeting, Portfolio Risk Review, Broker Review, and Investment Control breach review meeting.

The Investment Performance Forum meets on a quarterly basis and the other committees meets monthly. An escalation process is defined, going through Head of Investment until Vontobel Chief Financial Officer.

This framework both ensures good risk management governance but also supports 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 2020.

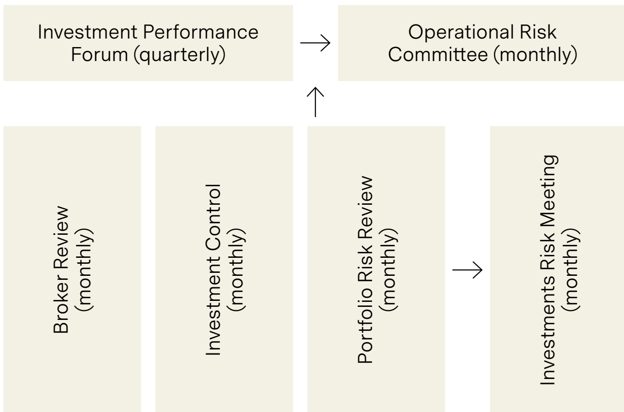
→ More information about how we navigated through the Covid-19 crisis in 2020 from a risk-management perspective on page 49.

Management of ESG Risks
ESG risks, also called sustainability risks, are ESG events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment. ESG risks are considered as an inseparable element of the population of investment risks that is measured, monitored, and managed, on a continuous basis.

Management of ESG risks are an integral part 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 ESG risks and assess their impact on the portfolio. In addition, as explained on page 23, our investment teams exercise voting rights 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.

→ More information on the implementation of ESG controversies post-trade checks in 2021 on page 21.

Committees and escalation process



→ Findings, escalation

→ More details about these committees can be found on page 42.

Investment controls

Pre-trade checks
Our portfolio management system allows us to check compliance with investment guidelines and restrictions on a pre-trade basis. The investment guidelines comprise regulatory, prospectus- or client-driven restrictions, and internal restrictions, which may be 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. When submitting orders an automated check of the investment guidelines restrictions is performed automatically, highlighting potential breaches.

Post-trade checks
The independent Investment Control team conducts a daily post-trade review of portfolios using our portfolio management system. In the event of a breach, portfolio managers and their supervisors are informed, and corrective measures are taken. Should Investment Control and the respective portfolio manager fail to agree whether a breach has actually occurred, Compliance analyses the case and then informs Investment Control of its assessment of the case, which then follows up accordingly.

Post-trade checks for ESG controversies
Severe controversies and breaches of international norms are the primary cause for public attention, and stock devaluation. Those controversies are often related to significant negative impact on the environment, forced labor, and child labor. Moreover, these instances can signal insufficient management of sustainability risks by a company, or a government.

Each incident needs thorough assessment to properly understand the impact on stakeholders, and performance. In 2021 we will increase the formalization of our post-trade checks by implementing various “ESG flags” for controversies and breaches of international norms, based on external data sources such as MSCI ESG and Sustainalytics. The ESG assessment methodology of such providers typically take into account the 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. To properly understand the impact of critical ESG events, investment teams conduct their own research to assess their impact on the relevant portfolio and on wider stakeholders.

If an investment is flagged, the position will be reviewed and monitored by an independent risk management team. A standing list of open exposures to critical ESG Events across our investments is presented at a quarterly Risk Management meeting.

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

What happens when a breach occurs?
The independent Investment Control Team, which reports to the CFO, controls adherence to the guidelines and restrictions on a daily trade basis. In the event of a breach being detected by Investment Control, the portfolio manager and their supervisor are informed, and corrective measures are taken. If necessary, issues may be escalated to the Boutique Head, the Head of Investments Risk Management and Compliance.

Transparency towards our clients

Communication with our clients
Our communication with clients is always focused on the client's needs. Our goal is to provide relevant information to clients, to educate and inform them about how we are investing on their behalf. This allows clients to remain informed about market events and enables them to choose the products and services that best fit their needs.

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.

Our investors receive comprehensive informa¬tion about our solutions. We provide investors with comprehensive information focused on the four Ps: our investment philosophy, investment processes, performance, and people. Generally, we report investment performance on a monthly or quarterly basis.

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

Reporting and communication on ESG and Sustainability
Throughout 2020, we have been involved in more discussions with our clients about ESG and sustainability than ever before. Also, we have seen strong growth in due diligence requests about this topic, reflecting the growing interest of the market.

We strongly believe clear visibility of our messaging must match our investment process and provide an honest picture to our clients. In 2020, the product range for which we produce ESG product reporting has been enlarged. We have also actively worked on adding more ESG data to our systems.

For our ESG and sustainable investment solutions, we document the most critical investments from an ESG risk perspective, including the outcome of the investment decision.

Our teams provide and further develop specialized reporting methodologies in line with their investment process and goals. This information may cover aspects such as the ESG profiles and ESG ratings of certain investments, the ESG profiles of our mandates and funds – including benchmark compar¬isons – and CO_2 reporting or impact-related information based on the UN Sustainable Development Goals.

One example is the Impact Report published for our Listed Impact strategies on a yearly basis. A set of nine indicators and six SDGs has been 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 called "Potential Avoided Emis¬sions" (PAE) together with ISS ESG.

→ The full Impact Report 2020 is available on our website under am.vontobel.com.

Beyond our fund-specific reporting, this ESG integration and Stewardship Report provides information on our overall approach at Vontobel Asset Management, our overall guiding principles, and our processes in place. Furthermore, Vontobel's Sustainability Report forms an integral part of the Annual Report and contains detailed information about our sustainability commitments and includes a part on sustainable investing. The report follows the GRI standards.

ESG reporting is currently one of the most discussed topics in asset management. We believe the convergence of best practices and the harmonization of standards is a step towards more transparency and clarity in the market. For these reasons, we carefully follow the market and regulatory developments related to ESG disclosures and reporting.

→ More information about how we ensured proper communication with our clients during Covid-19 in 2020 can be found on page 48.

Voting and Engagement

Overview

As a signatory to the UN Principles for Responsible Investment, Vontobel Group commits to being an active owner and to incorporate environmental, social, and corporate governance (ESG) issues into its ownership policies and practices. We believe this is important for the development of sustainable economies, societies, and the environment, and that material ESG issues can impact the future success of a company and, therefore, its investment potential. At the same time, we are convinced that voting and engagement can have a positive influence on a company's values and behavior and strengthen its longer-term contribution towards building more sustainable economies and societies and protecting the environment.

→ Since 2019, Vontobel Asset Management has had voting and engagement policies in place. They describe our rationale on voting and engagement, our processes and organizational setup. Voting and Engagement policies statements can be found under vontobel.com/sustainable-investing.

Voting

Voting overview

Vontobel Asset Management 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 represent one of the ways we can use to express our views.

If authorized to do so, Vontobel Asset Management will vote in respect of the stock, typically by proxy, 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 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 Asset Management unless we have not been authorized to vote on behalf of clients in relation to the assets managed. 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. This voting policy follows, among others, the recommendation for best practice on corporate governance published by the European Fund and Asset Management Association.

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 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.

For our mtx and Listed Impact strategies, we partnered with EOS at Federated Hermes (EOS) in 2011 in order to improve the quality of our voting decisions and the breadth of our engagement. EOS helps institutional shareowners around the world meet their fiduciary responsibilities and become active owners of the public companies in which they invest. The selection of EOS followed a comprehensive internal research process evaluating the different proxy voting and engagement services available in the market to select the solution that fit closest with Vontobel's aims and methodology.

Next to EOS, Vontobel has selected Institutional Shareholder Services, Inc. (ISS) and Ethos Services SA (Ethos). Both service providers are also specialized in the exercise of voting rights and also provide research services. ISS is mainly used for our funds investing globally, such as the investment solutions offered by our Quality Growth boutique. 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.

Voting process

Our portfolio managers and analysts 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, Vontobel votes accordingly. If they disagree because the standard recommendation does not match their in-depth knowledge of the company in question and its management, the analyst or 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. This process ensures that we execute our voting obligations and that our analyst and portfolio managers retain the authority to personally make decisions in the interests of our clients. The respective management company coordinate these aspects and the related processes.

Due diligence of the proxy voting advisors services is regularly performed on the services used, as described on page 44.

Engagement

Engagement overview

At Vontobel Asset Management, we consider engagement to be an important element of our investment activities. As an active manager, we generally prefer to engage with the managements of investee companies directly. We do not have a standalone engagement team, since we believe in the direct contact between investee company management teams and investment professionals such as portfolio managers and analysts who have the specific expert knowledge and understanding of the context in which the company has been selected as an investment.

Reasons to engage with an investee company can include business strategy, corporate governance issues, change 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.

Engagement process

As part of their fundamental research activities, our analysts and portfolio managers engage with the management of companies informally on relevant topics. ESG topics are not covered in all company reports or by all our research providers. Therefore, we carry out informal fact-finding engagements to better understand a company's sustainability performance and standards (e.g. its governance policies or environmental performance). This may include assessing the impact of its products and services on the environment – for example by looking at whether they can help to reduce or eliminate carbon emissions. An example is the questionnaire sent for our Listed Impact strategies. In certain circumstances, investment teams may take a more targeted and focused approach, depending on the circumstances and the nature of the situation, and raise concerns on specific topics with companies. Some examples are included in this report starting from page 31.

In addition to direct engagement activities, we also carried out indirect engagements for our mtx and Listed Impact strategies based on our partnership with EOS at Federated Hermes. This service provider seeks a balance between direct corporate engagement, ensuring its clients' major holdings are covered and focus on activities which add the most value to its clients' holdings from a risk management point of view, and public policy/best-practice engagement, which if effective can positively benefit all companies in the affected region or sector. EOS is specialized in engaging with investee companies via objectives-driven and continuous dialogue on ESG issues. Such programs often take place over several years and on a variety of issues, particularly with companies in regions or sectors where transparency is poor. Our collaboration with EOS strengthens our position because it facilitates our cooperation with other investors. This enables us to exert greater influence than our own investment volume would allow. Progress on engagements is measured 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. Solid progress was made in delivering engagement objectives across regions and themes. At least one milestone was moved forward for about 43% of our objectives during the year.

In some cases, we may also join forces with other investors and organizations directly. Two examples can be found on page 39.

Escalation process

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 believe 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.

Zooming in on some of our strategies' approaches to Voting and Engagement

Quality Growth
Our research philosophy is based on long-term holdings of quality growth companies. Unlike short-term holders, long-term holders are more likely to see a result from a governance risks over time unless it is addressed. We will engage with company managements through a variety of communication methods including face-to-face meetings, email, conference calls, and letters to the board and senior management. We generally engage with managements in private. Only on rare occasions would we consider making public statements on issues where we disagree.

We choose from a range of issues and levels of engagement. Some engagements are relatively short and simple, where a quick conversation or email can satisfy our need. Other engagements can be much more involved.

The value that may be gained does not need to be a near term benefit. For example, if a company has a high carbon intensity or emissions and does not appear to have a plan to reduce those emissions, it may make sense to engage (risks include regulatory, taxation and brand) even if the potential benefit will not necessarily impact the near term business continuity or performance.

If we have identified an issue, we believe could make an impact on the risk to return balance of a company over time, we may engage. However, we will only do so if we believe the company still meets our original investment thesis and maintains the quality of operations, we require from our investment holdings. If not, we may choose to exit the position.

mtx strategies
At mtx, we believe voting and engagement is core to our fiduciary responsibilities to clients and central to sustainable investing to achieve more sustainable outcomes for society and to support long-term risk adjusted returns for investors in mtx's funds. Material ESG issues can impact the future success of a company and therefore its investment potential. As long-term investors we see these as important tools to help steer companies towards internationally accepted norms and practices, which is ultimately for the long-term benefit of the company as well as its wider stakeholders. We understand this is an iterative process of on-going dialogue and we regularly work with outside partners to leverage our voice with other shareholders to elicit positive change.

Direct engagements by mtx analysts typically target breaches of sustainability factors (e.g. human rights, corruption, environmental damage, etc.), or high sustainability risks, which can impact company performance, as well as on material issues where disclosure is weak, thereby undermining mtx's ability to make an informed evaluation of sustainability risk or impact.

For additional support in effectively exercising ownership rights, mtx has partnered with EOS at Federated Hermes (EOS), a dedicated voting and engagement house, specializing in providing voting recommendations and engaging with some investee companies via constructive, objectives-driven and continuous dialogue on ESG issues. Such collaborative engagements allow us to exercise greater influence than the size of our holdings would otherwise permit and benefit from EOS' specialist resources and experience. An additional major benefit is that EOS will establish a long-term engagement plan with objectives and milestones and this persists irrespective of investment inflows and outflows by EOS' clients, i.e. it can take a truly long-term perspective and will maintain regular pressure throughout the life of the issue engagement. We regularly observe that engagement based on long-established dialogue and a relationship of trust, is most effective in helping to drive structural changes.

Mtx has a dedicated process in place to ensure it reacts to all voting alerts and reviews all voting recommendations from EOS leveraging internal expertise within the team. The medium and long-term aim of voting and active en-gagement is to achieve improvements in corporate governance and in the areas of sustainable business and social, ethical and environmental responsibility, and thereby to bring about a potential increase in long-term shareholder value for the investor.

Listed Impact Strategies
We believe active ownership is an important tool to contribute towards sustainable economies, societies and the environment. ESG issues can materially impact the future success of a company and therefore its investment returns. Consequently, we put a strong emphasis on direct engagement with our portfolio holdings, particularly on environmental issues and arising opportunities thereof, as this is an integral part of our research activities.

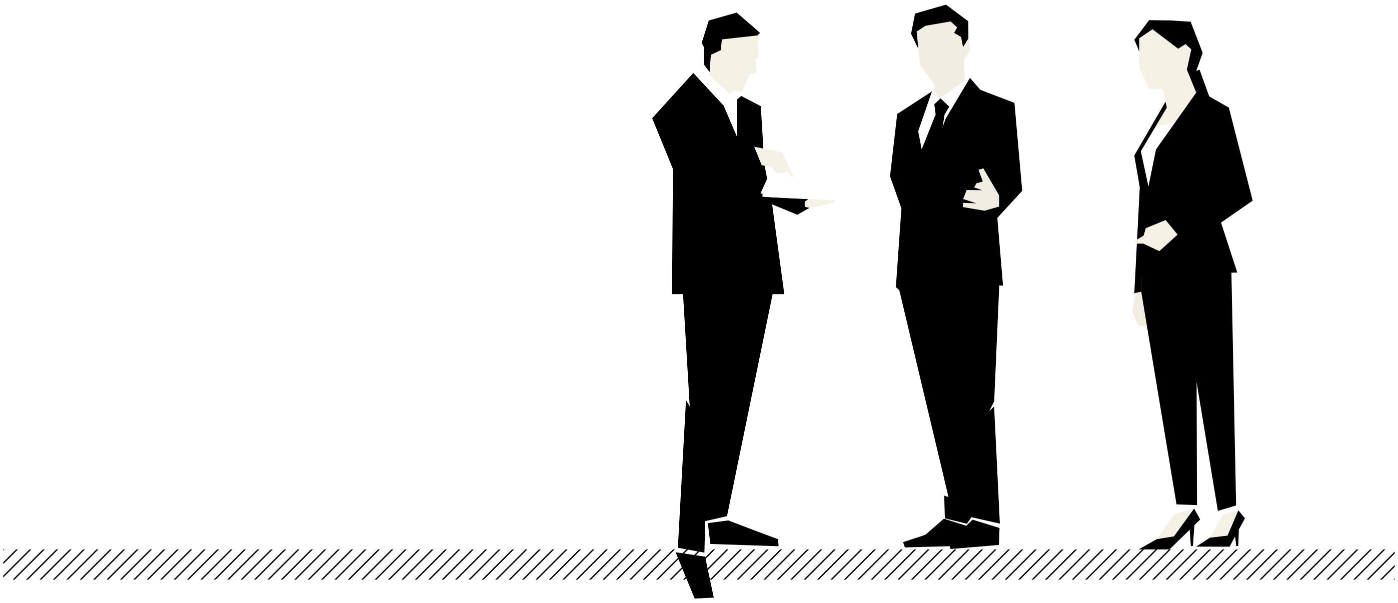
We have substantial engagement activities that enable us to support companies in becoming more sustainable and allow us to make more educated investment decisions.

Specific knowledge finding is carried out for certain material important environmental performance indicators, which demonstrate the positive impact of companies, their products and services. We consider these impact indicators to be material as they might influence the companies' future cash flow. Additionally, we try to monitor the company's improvements of these key indicators, especially towards their set goals. If necessary, we make recommendations to the company of specific topics for further development. Through these activities, we constantly monitor progress in ESG performance, and we encourage companies to improve their risk management practices and ESG disclosure in general, but moreover, also to report on their products impact over their entire life cycle

Fixed Income Boutique
Engagement helps us mitigate data quality issues and problems arising from differences in reporting and corporate governance standards especially in high yield and emerging markets. We speak with issuers directly to understand the quality and underlying goals of the management.

There are some elements of engagement that are specific to investors in fixed income. In contrast to an equity, a bond is a fixed contract, so once it has been issued, there is not a lot investors can do about the company. As far as ESG factors are concerned, bond issuance is more like a take it or leave it offer, i.e. price can be negotiated during book building, but ESG factors will not change. Therefore, once the bond is issued, the maximum we can do is fill the information gaps by asking questions about ESG and encouraging more transparency.

As an active asset manager of a meaningful size, therefore, we can make a difference either before a bond is issued, if issuer is eager enough to change our opinion about themselves or once it needs to re-assess the indentures, such as in the restructuring. By taking part occasionally in the bondholder committees, Vontobel can contribute to fixing relevant issues, which often tend to be partially driven by ESG misgivings.

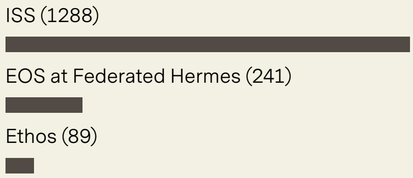


Voting Highlights 2020

1460 meetings

In 2020, we submitted votes at 1460 meetings, on 19590 items, for companies based in different regions, whereby the largest part were based in North America and in Europe. In 90% of items we voted “For”. The remaining 10% were voted either “Against”, “Abstain”, or “Withhold”. 90% of votes were cast with management and 10% against management.

Meetings by proxy voting advisor[1]

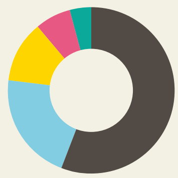


Vote Cast

- Vote for 90%
- Vote against 9%
- Vote abstain or withhold 1%

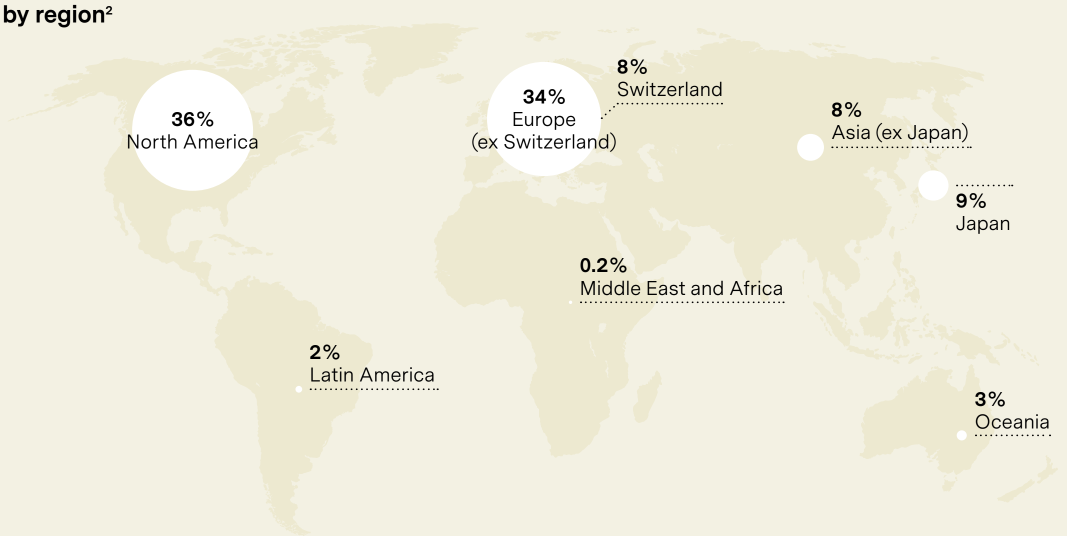
- Vote against management 10%
- Vote with management 90%

Vote by topic



- Directors Related 56%
- Routine / Business 21%
- Compensation (incl. non-salary compensation) 12%
- Capitalization 7%
- Other 4%

Vote by region[2]



[1] The sum of meetings is higher than the total number of meetings we attended, because we may have been represented by more than one proxy advisor at the same company meeting, depending on which advisor has been appointed for the fund. More information about our use of proxy voting service providers on page 24.
[2] with headquarter for country of reference.

Source: Vontobel, ISS, EOS at Federated Hermes and Ethos data

Our investment teams explain their rationale. Zooming in on some of our voting decisions.

Quality Growth strategies
For certain markets including the US, Canada and UK, we will generally vote against certain board members if less than 10% of the directors are from ethnic or racial minority backgrounds. For this US based company there were no identified minority board members. We voted against the reelection of two members of the nominating committee.

We regard the dilution of shareholdings as a risk to be avoided if above a threshold of 10%. In this case a Hong Kong based company was looking for authorization to issue up to 20% plus reissuance of repurchased shares without any limit to the pricing discount (limited to 20% by Hong Kong listing rules). We voted against this proposal.

mtx strategies
PTT Public is a Thai state-owned oil and gas company. PTT has robust operational monitoring and control systems, having climate-risk assessment integrated into its operational decision-making process, however mtx questioned if its climate-related targets and performance were progressing at an acceptable pace. As a result, at the 2020 Annual General Meeting, mtx voted against management on four of a total of five proposed directors on the ballot (an exception was made on a new female non-independent non-executive director) due to the company's slow progress with regard to its low-carbon transition. We regard this vote as part of a collaborative effort with EOS to bring to the board's attention that better board oversight on climate change topics is required.

Xinyi Glass Holdings is a Chinese firm and leading integrated glass manufacturer. Mtx's ESG assessment flagged concerns on board leadership structure. In particular, entrenched (overly long serving) board members with many executives' directors, lack of independence and weak gender diversity. Although Chinese companies are commonly highlighted for similar board structures, these conditions can affect a board's ability to effectively oversee management. As a result, at the 2020's Annual General Meeting, mtx voted against management on the re-election of Chair and founder Mr. Yin Yee Lee due to these concerns on board independence and diversity on the board.

Listed Impact strategies
As investment managers focused on Listed Impact equities, we put particular importance to sustainability-linked executive compensation. One example in 2020 is Aalberts NV, a company engaged in the development of industrial products and systems in the Netherlands. Because of the Covid-19 pandemic and the guidelines applying during this period in the Netherlands, the company had to postpone their Annual General Meeting. What could appear as a bad news was an opportunity to engage with the company. EOS, our engagement partner, had a positive call with the head of sustainability during which they covered a number of governance and environmental and social matters, among others compensation. The company was taking advantage of being able to postpone its AGM to June to reconsider what further disclosures it can provide around bonus metrics and weightings, which gave us confidence to vote for, on remuneration related items during the next meeting.

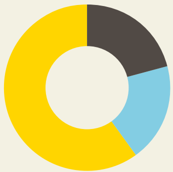
Engagement Highlights 2020

130 companies

In 2020, we engaged with 130 companies[1] on different topics, either directly or indirectly using EOS at Federated Hermes services. For 39 of these companies, we conducted at least fact-finding engagement activities, through our Impact metrics questionnaire. More details can be found on page 34.

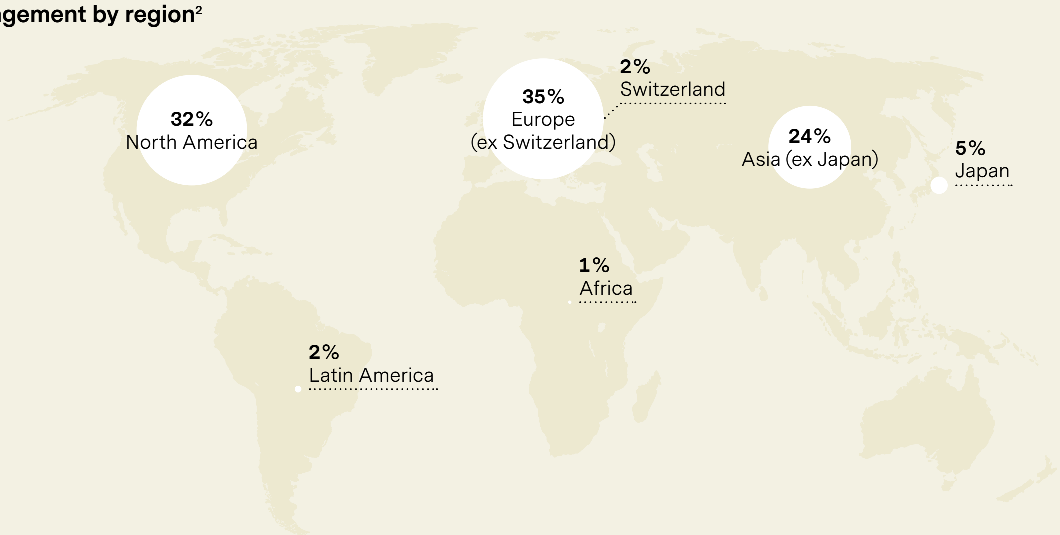
We engaged mostly with companies based in Europe, North America, and Asia. Governance issues were the biggest concerns.

Engagement by theme



Environmental	21%
Social	19%
Governance*	60%

Engagement by region[2]



On the next pages, you will find engagement examples conducted our investment teams participated to.[3]

1 Statistics include engagements conducted by Quality Growth, mtx and Listed Impact strategies.
2 with headquarter for country of reference.
3 We may have anonymized some engagement cases that contain sensitive information, in order to preserve our relationship with investee companies and be able to pursue certain engagements in the future.

Source: Vontobel, ISS, EOS at Federated Hermes and Ethos data

Independence for good governance

- **Engagement activities conducted by**
  Quality Growth Boutique (QGB)
- **Issuers**
  US pharmaceutical company and Indian communications services company
- **Topic**
  Independence of the board

We engaged with a large S&P500 pharmaceutical company that has a combined CEO and Chair of the board role. At QGB we believe that an independent chair provides better alignment with shareholder interests. While we do not have issues with the company's current CEO we note that the chair is the primary person on the board that shareholders may look to represent their interests. One primary consequence of combining the two roles is that the CEO is responsible for their own oversight and is better able to exert control over the board's agenda and discussion. This particularly becomes an issue if the CEO's performance starts to drift or the company needs to make a strategic change. It is not difficult to imagine how a dual CEO/Chair could delay the board from addressing emerging issues. In contrast, a strong independent voice as chair will likely be quicker to address corrective actions, including the potential for needing to replace the CEO. To use the prominent example of Microsoft, we anticipate it would have been unlikely that Steve Ballmer would have stepped down when he did (thereby paving the way for Satya Nadella) without the influence of Bill Gates as chair. Passive shareholders cannot expect to participate in the boardroom, but an independent chair does provide one level of mitigation.

We discussed the issue with management including the Corporate Secretary. The company emphasized that its board consists of all independent directors with the exception of the Chair, and that the board includes a lead director with significant responsibilities, and that it did not intend to split the role at this time. We engaged with the company and heard their views. We voted against the reelection of the Chair of the Board in 2020.

Another example is our engagement with a leading Indian company. The company's founding family controlled the business through a holding company. This 'promotor' (Indian term for controlling shareholder) relationship was well understood, and the company had built its business over the past twenty years within this structure. We had concerns around governance including the independence of certain directors on the board who we did not regard as independent, and the independence of the risk management committee.

We engaged with the company about the independence of the board and the risk management committee through a number of conversations with the CEO, independent directors. We also sent two letters to the board outlining our observations along with suggestions we believed might reduce these perceived risks. The company responded to our suggestions to an extent. The risk management committee representation of independent directors was lifted from 33% to 50% through the addition of an independent director. The company also removed the two independent directors we did not regard as independent.

Long term engagement – a focus on executive compensation

- **Engagement activities conducted by**
  mtx team
- **Issuers**
  X5, Russian food retailer
- **Topic**
  Remuneration

X5 Retail Group is a leading Russian food retailer, operating in several retail formats – proximity stores, supermarkets and hypermarkets, as well as online shops.

Following thorough ESG due diligence, mtx started investing in X5 Retail in 2017 and commenced regular dialogue on Sustainability issues in August 2018. Over this time, we have observed positive efforts towards integrating sustainability into its business strategy. We have seen the company's progression from one lacking in ESG disclosure and target-setting initiatives, to a company that is strongly committed to strategic sustainable development goals (SGDs). X5 Retail has committed to mid and long-term targets on material environmental and social issues, focusing on key areas such as human capital management, nutrition and health into its assorted food offerings, as well striving for better environmental operational efficiency.

Initially, our engagements with X5 focused on its sub-par ESG disclosure and general concerns on its human capital management, including a negative trend on employee turnover rates and poor working conditions (weakness that are common in the industry). We followed the company closely as it committed to improve employee engagement and retention, as well as its disclosure on ESG metrics.

As we observed stronger leadership and tangible positive performance related to those issues, in 2020, we directed our efforts to addressing issues of corporate governance. Our analysis flagged a controlling shareholder (CTF Holdings Ltd/Alfa Group – c.48% shareholding), which had been previously linked to the Kremlin, in addition to concerns over executive pay practices. Mtx was particularly interested in X5 Retail's board remuneration practices as that has faced increasing shareholder dissent over the past years.

Engagement
In X5's AGM in May 2020, mtx voted against management's various remuneration proposals because, inter alia, the long-term incentive (LTI) plan lacked any form of retrospective disclosure, the policy awarded the board disproportionate discretionary powers, quantum was excessive and not sufficiently justified and the CEO was essentially guaranteed a set pay out – raising the risk of paying for failure. In voting against management, we wished to communicate the need for better pay disclosure and we followed this up directly with management.

Following the AGM, in May 2020, mtx's financial analyst covering X5 had calls and emails with X5 Retail's Investors Relations. Mtx highlighted their concerns on lack of disclosure on executive long-term remuneration incentives and other pay-performance metrics, as well as excessive remuneration for the supervisory board as compared to peers.

X5 Retail explained that remuneration KPIs followed revenue and EV/EBITDA basis at 50% each, among other conditions. The company also explained that supervisory board pay is c.15% above emerging market peers, but in line with Russian standards given the level of industry expertise of the board (e.g. industry expertise from Amazon, Lidl, and Tesco). Lastly, it also shared its plans to improve disclosure of remuneration KPIs for the LTI program, as well as provide further detailed ESG metrics via a new portal on its website, to go live end of 2020. Given our 2019 engagement with X5 Retail on disclosure topics, we were pleased to see further improvements here.

In October 2020, mtx had a follow-up call with X5 Retail. We were mostly interested in its LTI scheme, efforts on GHG reduction, and the impact of Covid-19 on workforce KPIs.

In an email exchange following the October call, X5 Retail reaffirmed its efforts to improve disclosure in the near future, as well as emphasized that it is considering changes in its LTI program (e.g. integrating ESG metrics into its LTI program).

The company also referred to its focus on improving eco-efficiency on energy use (scope 2), which represents over 50% of its GHG emissions. By automating control and monitoring systems, it expects to cut electricity consumption in stores by an average of 10%. It has also decided to extend its monitoring project to other facilities and has started piloting renewable energy projects but their significance in GHG emissions is yet to be reflected in positive performance.

On workforce KPIs, X5 Retail explained it did not expect any significant impact on health and safety metrics or on employee turnover due to Covid-19. It also stressed its positive trend on employee engagement rate reaching peer-levels and the 2023 internal target (>75%). Mostly, employees refer to transparent communication and ability to implement changes internally as highly appreciated factors.

As at our detailed ESG review of October 2020, we observed continued positive outlook on workforce management, disclosure, and targets, with a three-year positive trend on employee turnover rate (the rate fell by almost 20% year-on-year in 2019) as well as strategic commitment to decent working conditions and equal opportunities. On the business strategy side, a strong focus on healthier products with increasing fresh fruits and vegetables in the total product range (in 2020 fresh fruit and vegetables represented almost half of the product assortment in its main stores, already a wider offering compared to competitors). Additionally, X5 has a series of efforts on sustainable packaging, sustainable sourcing programs, and waste management.

We will continue to foster an open dialogue with the company on material ESG issues, and express our point of view to management.

Inquiry for more quantitative impact data

- **Engagement activity conducted by**
  Listed Impact Investing Team
- **Issuers**
  engaged with all portfolio holdings
- **Topic**
  transparency and impact metrics data

All business activities have an effect on the environment, some positive, many negative. Not giving enough attention to, or even ignoring ecological consequences of these activities has led to enormous environmental challenges such as climate change, depletion of resources, or loss of biodiversity. We believe we can tackle large-scale challenges by actively selecting and owning shares of companies offering scalable business models in areas requiring billions of dollars of investments over the next decades. A large part of our engagement efforts is therefore, to convince companies to expand and improve their environmental reporting. This should allow us to improve the quality as well as the scope of our reporting over time.

Wherever possible, we rely on reported data from the portfolio holdings. This includes annual reports, CSR reports, websites or other investor information.

Requesting additional data and motivating companies to measure and publicly disclose the required data and indicators is part of our engagement work. A questionnaire explaining our needs, comprising last year's impact report plus a list with possible KPIs was e-mailed to all portfolio holdings in March 2020.

A total of 39 companies took the time to answer our survey. The relevant environmental metrics for the portfolio companies were applied where data was available or could be estimated. The analysis included all companies in which the Vontobel Fund - Clean Technology was invested as of June 30, 2020. We aimed to obtain the most recentenvironmental data.Over 90% ofthe data is based on the fiscal year 2019 or end of March 2020. The percentage owned of each invested company was applied to measure the environmental benefit attributable to the fund.

Compared to the previous year replies improved in terms of amount and quality. We can conclude that our continuous engagement on our impact topics increases the awareness and willingness of companies to report.

Sending our questionnaire is a great opportunity to start a conversation and educate companies. An American Software Company was impressed by our Impact Report. They were not yet prepared to provide the type of data. However, they were asking for some support in a video conference. They wanted to learn more and discuss how they might be able to measure "potentially avoided emissions". They plan to publish an ESG report in 2021 covering this type of information.

List of Impact metrics requested for the Impact Report 2020

1. CO_2e emitted (carbon footprint) in million t CO_2e emitted (scope 1&2)
2. CO_2e avoided (PAE) in million t CO_2e avoided
3. Renewable energy generated in GWh
4. Renewable energy devices shipped in MW
5. Drinking water provided in million m^3
6. Water recycled / treated or saved in million m^3
7. Eco-friendly passenger transport in million passenger km transported by train
8. Cargo transported on rail in million t cargo km transported by railroad
9. Waste treated or recycled million t waste treated, processed or recycled

No of stocks in Portfolio: 66

IMPACT INDICATORS	NO OF RELEVANT COMPANIES	DISCLOSED	ESTIMATED
Carbon footprint	66	65	
avoided carbon emissions	51	39	12
renewable energy generated	18	18	
renewable energy capacity shipped	7	7	
Circular Economy (recovery, reuse, etc.)	36	36	
Drinking Water provided	5	5	
Water saved, recycled or treated	36	36	
Waste Management	3	3	
Cargo/passenger transport by rail	2	2	

Source: Vontobel Asset Management

Environmental impact in the hydrogen sector

- **Engagement conducted by**
  Listed Impact Investing Team
- **Issuer**
  Air Products
- **Topic**
  controversial activity from an environmental perspective

In July 2020, Air Products has announced a mega project together with ACWA Power and the city of NEOM to produce hydrogen using solar and wind power, hence making a zero CO_2-emission fuel. At the same time, however, the company pursues investments in coal gasification, a high CO_2-emission activity.

This NEOM hydrogen project is by far the largest of its kind, its capacity will avoid 3 million tons of CO_2 per year, emissions equivalent to those emitted by 700'000 cars, according to Air Products. The management emphasized that this is not a pilot and that they will push ahead with additional projects similar in size – to us this is a very strong commitment in favor of a cleaner society. At the same time however, Air Products announced a coal gasification project in Indonesia. For the climate, coal should better be left in the ground given its high CO_2 emission relative to its energetic value; below is an excerpt to coal gasification's benefits as well as its associated environmental harm.

We requested further information from Air Products about the environmental impact this project is going to cause, or at least studies from similar projects, as Air Products has already completed several coal gasification projects, mostly in China.

Unfortunately, Investor Relations could not provide detailed information, only assuring the resulting product, methanol, will support Indonesia's renewable energy program as well as fertilizer production. Furthermore, Investor Relations reiterated that its management is very strongly commitment to activities benefitting the environment.

Reading Air Products' website and investor relation material, we would expect that environmental stewardship be deeply engrained in the company's corporate culture. While we highly appreciate Air Product's long-term vision and commitment shown with the NEOM hydrogen project, we are unfortunately disappointed that the management deems a study on the environmental footprint as nonessential, particularly as it is about such a controversial activity as coal gasification. To us it is of utmost importance to weigh beneficial activities against those causing harm. Admittedly, the sheer size of the NEOM project would favor the positive view. Nevertheless, we continue to ask for more environmental disclosure, and follow the company's developments carefully.

Critical activities in coal gasification of Air Products: Coal gasification is explored as a new way of using coal in a more efficient and more environmentally friendly process to generate electricity and heat.

The challenge, then, is how to harness coal's energy more cleanly. The main technology being used is coal gasification – instead of burning the fossil fuel, it is chemically transformed into synthetic natural gas (SNG).

Commercial hurdles: Integrated Gasification Combined-cycle (IGCC) IGCC is a newly developed technology for a power plant that turns carbon-containing material into synthesis gas (syngas). The system is designed to be able to remove impurities from the gas before it is combusted. This results in lower emissions of SOx, particulate matters and mercury. Excess heat from the primary combustion is passed to a steam cycle, which results in improved efficiency compared to a conventional pulverized – coal plant. However, IGCC plants are still not completely commercial. The aim of IGCC plants development is to improve the environmental performance and decrease the production cost.

The process is decades old, but recent rises in the price of gas mean it is now more economically viable. The US has dabbled in the technique, but China is going all out in a bid to satisfy its soaring demand for power and reduce its dependency on imported liquefied natural gas (LNG). The country's National Energy Administration has laid out plans to produce 50 billion cubic metres of gas from coal by 2020, enough to satisfy more than 10% of China's total gas demand.

Coal gasification can also help address local pollution problems that have in recent months brought parts of the country to a virtual standstill.

But there are two big problems. First, coal gasification actually produces more CO_2 than a traditional coal plant; so not only will China be using more coal, it will be doing so at a greater cost to the environment. IEA states: "It can be a nice solution to local pollution, but its overall carbon intensity is worse [than coal mining], so it is not attractive at all from a climate change point of view". Indeed a study by Duke University in the US suggests synthetic natural gas emits seven times more greenhouse gases than natural gas, and almost twice as much carbon as a coal plant (an extreme case in our opinion).

The second problem is water use. Coal gasification is one of the more water-intensive forms of energy production, and large areas of China, particularly in the western parts of the country that would host new gasification plants, already suffer from water shortages.

An engagement case in the fixed income field

- **Engagement activity conducted by**
  Fixed Income Boutique
- **Issuer**
  Infrastructure construction company in Brazil
- **Topic**
  Corporate Governance and transparency

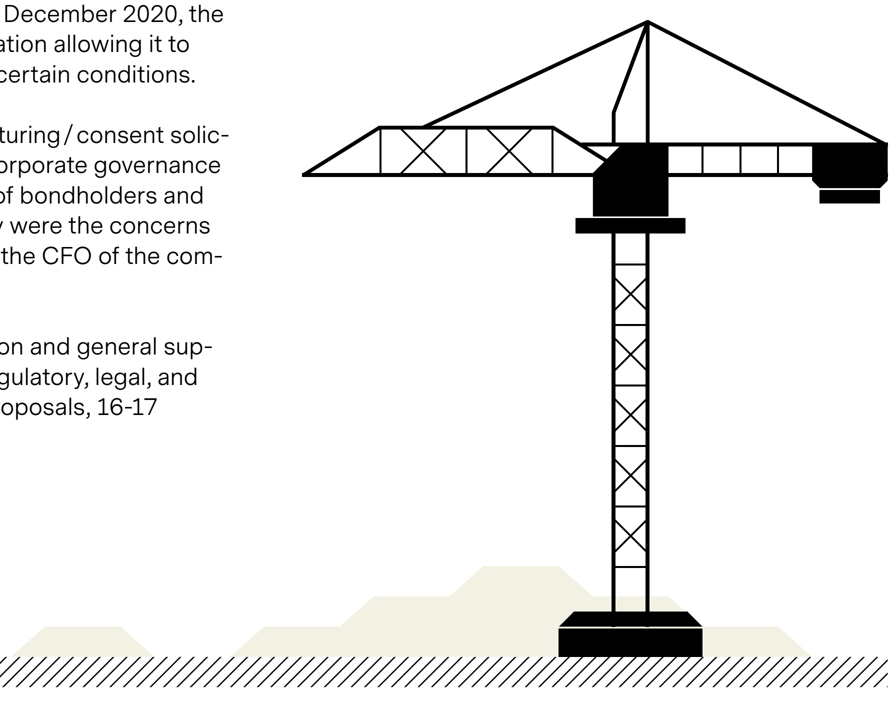
Background: The company is an infrastructure construction company in Brazil, which was implicated in the Lava Jato corruption scandal, settled it with the government and overhauled the business and corporate governance back in 2016 (only after which we entered the story) and kept servicing debt until its largest maturity – 2018 Eurobond maturity – came due. We had been engaged directly with the management already at that stage and, due to our support in a big part, the company rolled over into a 2021 bond with materially more bondholder-friendly structure (secured by shares of another, valuable, business of shareholders). In November 2019, the company carried out a voluntary exchange offer, rolling over the vast majority of the bond into new 2024. Covid-19 struck the company's sector more than many others, so by June 2020, and in October 2020 again, it made a decision to approach a local investment fund to tap the 24s bond at a discount for the amount of the coupon in order to avoid default. For other 2024 holders it means the limited collateral now is spread over a bigger amount of bonds, although the issuer was allowed to do this by bond indentures. More importantly, the company only informed bondholders of this funding source post factum and without clear details first. On 15 December 2020, the company launched a consent solicitation allowing it to defer the 30.12.2020 coupon under certain conditions.

The objective was to use the restructuring / consent solicitation negotiations to improve the corporate governance and enhance transparency. Dilution of bondholders and insufficient information transparency were the concerns raised, during a one-to-one call with the CFO of the company, on 16 December 2020.

The company appreciated our position and general support, but reflected their objective (regulatory, legal, and moral) limitations to accept all our proposals, 16-17 December 2020 (email exchange).

We discussed in parallel with the other bondholder group and the company in order to achieve acceptable adjustments to the consent solicitation to address existing issues and visibly improve treatment of bondholders. At the same time, we found some demands from other holders exaggerated and possibly pushing the company into unnecessary default (with associated negative social and other aspects). By being a relatively large holder and spending sufficient time and effort on bargaining these conditions, we believe, we found the optimal solution for all stakeholders, 17-23 December 2020

The company agreed to hold monthly investor calls with business updates and refinancing strategy plans (see main page of the issuer for details), the company cancelled the remaining capacity for tapping the bond and diluting bondholders, the covenants further tightened in exchange for a deferral of the December coupon. Verbal commitment of the management to address 2021 maturity in an equitable fashion for 2024 holders (who are senior to 2021s), the process which is currently ongoing, 7 January 2021 (official approval of consent solicitation).



Collaboration with our engagement partner

- **Engagement activities conducted by**
  mtx team, together with EOS at Federated Hermes
- **Issuers**
  large multinational, state-owned commercial bank in emerging markets
- **Topic**
  Independence of the board

Company A is a large multinational, state-owned commercial bank. On ESG matters, the company covers most ESG aspects adequately but there are several warning flags, especially on compliance management and business ethics. Common ESG issues in the banking industry where topic exposure is relatively correlated to corporation size.

The Company has made a number of efforts to address systemic compliance risk but minor controversies continue to be seen regularly. Additionally, despite being a signatory to various global initiatives (e.g. UN Principles for Responsible Banking, UNGC, and TCFD) and growing a significant green loan book, it has a long track record in funding controversial projects, which pose reputational and lending risk.

Mtx partnered with EOS, which has had a long-standing engagement with the Company, since 2011.

Engagement with Chair of Global Risk Committee.

In September 2020, mtx's ESG analyst covering financials had the chance to join an engagement led by EOS with the bank's chair of Global Risk Committee and an independent board director. We took the opportunity to ask two questions.

The first was on the bank's track record of financing of environmentally controversial projects and, therefore, its systematic measures to ensure sustainability is embedded in its financing activities. The Director shared that there was no policy on green targets as this must be set by the Government, not least because it is a state-owned bank. Given national carbon targets have been set, the natural process will be to move towards cleaner energy financing. Additionally, he stressed that although the bank is conservative on target setting, it is also serious about meeting any policy commitments.

Our second question was on the bank's frequent regulatory fines, which give the impression that compliance is not well managed. The director acknowledged great scrutiny by the national regulator, a member of which is on the bank's risk committee. The company has a strong monitoring approach, where every non-compliance fine goes through an investigation process and is discussed at board-level. He addressed several categories where it sees most fines going to, and outlined the bank's remedial measures e.g. more automation to avoid human error and fraud, better training and guidelines, and recruiting more compliance staff to better cope with multiplication of global compliance standards.

Other topics were also addressed in the call, mostly focus ing on business strategy, geopolitical risks, Covid-19 remediation and business continuity plan. We will continue to collaborate with EOS and participate in engagements where possible.

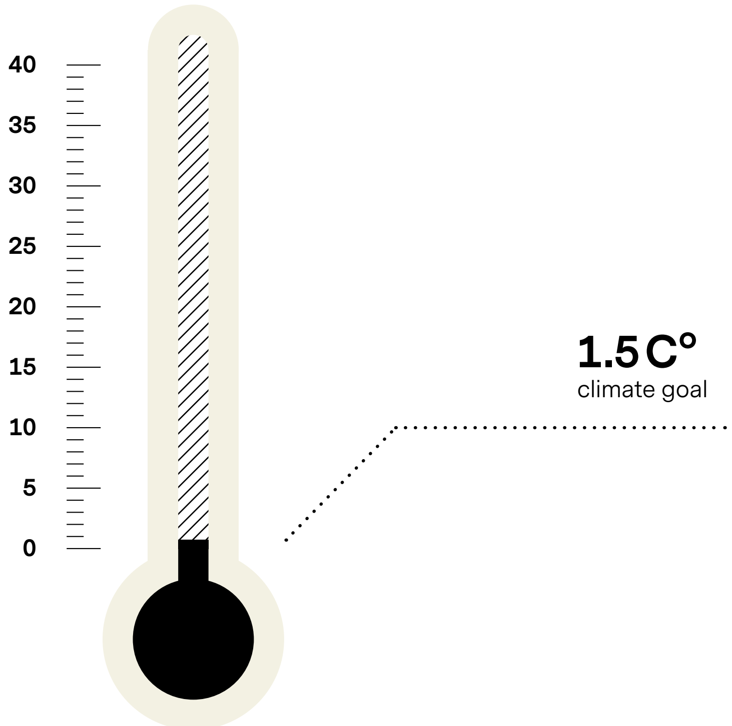
Other examples of collaborative engagements

Call for companies to set Science Based Targets
In 2020, Vontobel signed up to an initiative launched by CDP together with the World Resources Institute, the UN and WWF. The initiative calls on 1,800 companies to set Science Based Targets in line with the 1.5-degree climate goal and it is supported by almost 140 financial institutions globally. As a CDP signatory, we reported according to the new methodology for financial services providers for the first time in the year under review, with a focus on financed emissions.

As of January 2021, CDP had conversations with 150 companies, 80 % communicated their interest in setting Science Based Targets. Fifteen of them already signed the 1.5°C and net zero commitment. In addition to 33 companies joining SBTi through a standard commitment letter and eight companies who joined with approved targets. In May 2021, CDP will publish a first-year review of the campaign.

The letter, list of investors and mid-term report can be found on the cdp.net website.

Collaborative engagement on modern slavery
In 2020 an example of a group engagement was on the subject of Modern Slavery in the operations and supply chains of the apparel and construction industries. The initial goal is to run the engagement program for three years to allow time for a range of goals to be achieved. These goals include selecting an initial group of companies on which to engage, establishing a set of measurable Key Performance Indicators (KPIs) which will be used to monitor performance and progress over the length of the engagement, establishing effective practices, and working with company managements to incorporate operational changes aimed at reducing the chances of modern slavery.



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 2020 reporting requirements.

ESG Governance related processes
We permanently strive for sustainability, since it goes hand in hand with business success and stability. Sustainability and an effective business strategy are closely intercon-nected. For this reason, Vontobel is committed to the con-tinuous optimization of sustainable business management in all our divisions in the long term.

Vontobel aims at continuously improving its own sustainability performance and has two committees that work towards this goal. With these two committees, and the Vontobel Sustainability Committee being chaired by our CEO, we operate with a top-down approach. Representatives of each business division ensure we take decisions in line with the interests of our clients.

Organization and members of the committees
Vontobel Sustainability Committee
(quarterly meeting)
– Chairman (CEO Vontobel)
– Representatives from the Client Units Asset Management and Wealth Management, including the chairman and representative of the ESG Investment Governance Committee
– Representatives of "Investments" Center of Excellence: increasing awareness and organizing ESG related tasks and topics across all investment-related business and services.
– Representatives of the Centers of Excellence: Structured Solutions & Treasury, Technology and Services, Finance & Risk and Human Resources
– Representatives of Corporate Responsibility

ESG Investment Governance Committee
(monthly meeting)
– Chairman (nominated by the Head of Investments)
– Representatives of the investment boutiques: Each boutique is represented through their ESG lead, nominated by the boutiques' heads.
– Guests: Additional participants with particular expertise can be invited as guests.

Strategic prioritization of projects
Within the Vontobel Sustainability Committee, progress against the sustainability strategy is assessed on an annual basis. On the basis of this assessment, priorities are set, and further measures are defined.

Each representative identifies risks and opportunities relevant to his / her business unit or function and presents the findings during the quarterly VSC meetings where the risks and opportunities are being assessed. Priority is defined based on the number of Vontobel's business units and functions affected. The defined measures are then prioritized based on cost-efficiency, impact, client demand and internal / external visibility.

After the prioritization process, responsible persons are assigned for the management of the individual risk and opportunity in the relevant business unit. Their role as risk and / or opportunity owner is to ensure that the risks are monitored, and solutions are found, or actions are taken to capitalize on the opportunity.

Continuous development of our ESG governance structure
We want to continuously ensure that our ESG governance structure supports our ambition in terms of sustainability performance, in the context of evaluating market and regulatory developments, internal organizational changes or clients' needs.

In 2020, the ESG Investment Governance Committee adopted a framework allowing a more balanced representation of the investment boutiques. At the same time, additional permanent guests with strong ESG expertise have been invited to the monthly meetings to better inform decisions.

We believe that ESG and sustainability related topics shouldn't be treated as a silo function. Thus, all business units and investment boutiques are represented in our committees. When projects are prioritized and responsible persons assigned as described above, the projects are then handled within the relevant business units. This process allows us on the one hand to ensure through a top-down approach that the relevant ESG and sustainability projects are identified and prioritized. On the other hand it allows us to handle the projects with the relevant business expertise. We strive to further develop this ESG integration process.

Risk Management committees
An escalation process has been defined for our risk management oversight, as described on page 42. More details about out committees and their attendees can be found below.

- Operational Risk Committee (monthly): acts on behalf of the Vontobel Executive Board to exercise oversight of risk management and control framework across the firm, including review of aggregated risk limits, limit breaches, and respective mitigation measures, approval of relevant directives, taking a forward-looking view in identifying potential future issues.
  Attendees: CFO/CRO (CHAIR), Global Head of Risk Investments, Head of Technology and Services, Head of Legal and Compliance.
- Investment Performance Forum (quarterly): boutique-specific meetings on performance and investment risk, including performance review, ex-ante and ex-post portfolio risk review, detailed analysis of selected portfolios, alignment with product descriptions, contractual agreements and regulatory requirements
  Attendees: Global Head of Risk Investments, Boutique Heads, Head of Client Units, CFO/CRO.
- Broker Review (monthly): review approved broker and counterparty list and approve changes, review trading infrastructure projects and status, best execution review.
  Attendees: Portfolio managers, Front Office support, Investor Services, Middle Office, Risk Managers, Management Company Risk Managers.
- Investment Control meeting (monthly): Review of breach status and remediation, identification of investment risk and operational risk issues.
  Attendees: Head of Investment Control, Risk Managers, Management Company Risk Managers, Head of Operational Risk, Compliance, Front Office Support, Investor Services, Middle Office.
- Portfolio Risk Review (monthly): raise portfolio managers awareness on portfolio risks, ex-ante portfolio risk profile review, ex-ante market risk attribution, investment risk stress analysis.
  Attendees: Portfolio Managers, Risk Managers.
- Investment Risk Meeting: review operational risk status and trends, overall risk profile including investment risk, liquidity risk, counterparty risk, ESG risk and operational risk, outsourcing monitoring, approve Investments policies and procedures, review and approve product proposals.
  Attendees: Global Head of Risk Investments, Head of Operational Risk, Middle office, Boutique representatives.

Communication and interaction between the committees and Vontobel legal entities, including investment risk, performance and operational risks reviews, take place within the framework of governance meetings.

Assessing clients' needs and satisfaction
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.

Especially during the pandemic crisis, our client-centric approach, combined with the exceptional measures we have put in place as described on page 49, have proven to be effective. Vontobel Asset Management was shortlisted for the Best Corporate Crisis Communication by Citywire Selector. More information under citywireselector.com.

Good products and a globally active team of client-centric asset management advisors formed the basis for growth that far exceeded the market average. In total, Vontobel Asset Management recorded CHF 9.5 billion of net new money, corresponding to growth of 7.8% and significantly exceeding the target range of 4–6%. In 2020, assets under management increased by 11% to CHF 134.6 billion compared to the previous year and have thus more than trebled over the last decade.

Complementary to our continuous exchange with clients to assess their needs and satisfaction, we acknowledge that a structured and systematic approach is useful. For this reason, we have mandated Citywire to survey our clients on the quality of our services. 2020's research was made up of the views of more than 300 fund selectors (CIOs, Consultants and Wealth Managers, Fund Selectors & Analysts as well as Multi-Managers) from across Europe, who have scored asset managers across 15 different criteria they judged to be important to assess the level of service of asset management. These criteria are grouped in three different areas, "communication & reporting", "relationship management" and "supplementary services". By mandating an external party, we ensure that the collected results are objective. The extensive report we receive provides us with a comparison with our peers, and because it has been conducted for the third year in a row, we are also able to see how we are evolving and what concrete actions we need to take to improve. We take these results seriously. A management meeting takes place to analyze the findings, which among others serve as a basis to prioritize projects. An example is our digital interface. Following a significant drop in our ranking on this criterion, we wanted to find out more and commissioned a comprehensive digital diagnostic of our website from an external provider. This digital diagnostic was a qualitative assessment of your website content, user experience and functionality, with actionable recommendations, which we will be working on in 2021. Among others, the objectives of the diagnosis were to analyze how our website is performing now and help validate 'change' with the firm's senior stakeholders, to enable Vontobel Asset Management to implement enhancements and fixes in line with not only best practice but also with expectation fueled by the new normal post Covid-19 and to improve the user experience.

Additionally, and in order to further improve the way we assess clients' needs and satisfaction, we plan to conduct our own survey for our Client Unit Asset Management starting from 2021.

Conflicts of interest

Group Conflict of Interest policy

It may not always be possible to avoid conflicts of interest arising when providing financial services. However, it is very important to settle these issues, as the fair resolution of conflicts of interest is evidence that the institution in question has earned the trust of its clients, employees, and providers. Vontobel has a Group Conflicts of Interest policy. The policy defines what a conflict of interest is, identify examples and what measures Vontobel Group has put in place to avoid conflicts of interest.

→ You will find our conflicts of interest policies under vontobel.com/legal-notice/mifid

Conflicts of interest in the context of sustainable investing

In some situations, where we conduct our sustainable investing activities, conflicts of interest may arise, especially in situations where certain securities are involved, such as those issued by clients or by a business partner or by companies where Vontobel, including employees and members of the governing bodies have a close link, for example by being a member of the board of this company, or for securities issued. There could be a risk of giving preference to Vontobel's interests, to an employee or a member of Vontobel's governing body, to a client or a group of clients rather than another. Here is a non-exhaustive list of examples:

- As an active asset manager, ESG analysis and evaluation of securities are conducted within Vontobel, as part of our financial analyses, as explained on page 19. Conflicts of interest may arise while producing such analyses for the securities described above.
- Additionally, active ownership is an important part of our ESG approach. We submit votes and engage with companies, in order to raise issues, we have identified during our research, or as part of our fact-finding engagements. These activities are an integral part of our investment processes, as described on page 23. Conflicts of interest may arise, while submitting votes or engaging with companies.

Measures taken to avoid conflicts of interest

Below a non-exhaustive list of measures taken to avoid conflicts of interest, also in the context of sustainable investing.

- Definition of investment guidelines and controls, also within the context of sustainable investing.
- Erection of Chinese walls, i.e. information barriers, and separation of responsibilities: an example is the separation between our investment control team and our investment teams. Investment controls may be related to ESG aspects, as described on page 21.
- Disclosure of employees' securities transactions to the appropriate authorities and disclosure of employees' secondary professional activities and mandates.
- Avoidance of a remuneration system that gives employees the wrong incentives. Our remuneration system is linked to long-term incentives as describes on page 44.
- Establishment of a policy ensuring independence of the financial analysis. We believe ESG analysis is an integral part of the financial analysis.
- Voting and Engagement policies in place, that foresee the submission of votes in a manner which Vontobel reasonably believes to be in the best interest of the client.
- Use of proxy voting service providers, that follow proxy voting policies reviewed and approved by Vontobel. Processes are defined when changing votes and appropriate documentation is required.
- Client facing functions are separated from voting and engagement activities.
- Maintaining of a central register of conflicts of interest and disclosure of conflicts of interest to clients wherever no effective measure could be defined;
- Definition of an escalation process for our employees in the event of a conflict of interest being identified.

Review and Assurance

Internal Review and Assurance

Vontobel strives to continuously improve its own sustainability performance and has two committees that work towards this goal. Vontobel Sustainability Committee is chaired by our Group CEO and ESG Investment Governance committee reports to the Vontobel Asset Management Executive Committee. Through this structure, we ensure that the decisions taken with the committee get internal review and assurance.

→ Find out more about our ESG governance structure on page 15.

Generally, policies are either reviewed on an ad-hoc or annual basis, depending on the regulation under which they are placed. When revising policies, we ensure compliance with applicable regulations. The changes may also be business driven.

The ESG Investment Governance Committee formulates policies considered for approval by the relevant governing bodies. These include policies regarding stakeholder engagement and proxy voting. For instance, our voting and engagement policies have been launched in 2019 and will be reviewed on an annual basis.

In 2020, we made two significant internal reviews to assure compliance of our policies and investment solutions with Regulation (EU) 2019/2088 ("SFDR"). Firstly, we revised the Sustainable Investing and Advisory Policy, and finalized the update in the first quarter of 2021.

Secondly, as described on page 16, we systematically reviewed our investment solutions and classified them according two product categories, “Integrated ESG” and “Sustainable”. Through the formalization of this framework and the review process, additional strategies have integrated the consideration of ESG factors in their investment processes.

→ More information can be found under vontobel.com/SFDR.

External Review and Assurance
Our Sustainability Report, which is an integral part of the Vontobel Annual Report is produced in accordance with the GRI Standards. For the Materiality Disclosures Service, the GRI Service Team verified whether the GRI Content Index is clearly presented and the references for certain required disclosures (102 – 40 to 102 – 49) correspond to the relevant sections of the Report. Going forward, the document is designed for analysts who want to obtain key information and to 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 material topics that Vontobel has identified using the process defined under the GRI G4 guidelines 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 can be found under the Diversity & Inclusion section: “The Diversity Benchmarking performed annually by the University of St. Gallen as well as the Gender Intelligence Report published by Advance confirm that Vontobel has a relatively high proportion of women in management positions as well as a balanced age mix among employees. However, the proportion of women in leadership positions declines as the level of management seniority increases. The newly created Talent Acquisition team is, therefore, placing a targeted focus on ensuring an appropriate mix of female and male candidates in the area of recruitment.”

While using the internationally recognized GRI standards, we ensure that our reporting is fair, balanced and understandable.

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

The sustainability rating agencies MSCI, Sustainalytics, ISS ESG, and Inrate have given Vontobel above-average sustainability ratings in the environmental and social dimensions. ISS ESG has awarded Vontobel the “Prime” status.

Vontobel is a signatory of the Principles of Responsible Investment (PRI). We were awarded, in 2020 again, an A+ for the PRI module “Strategy and Governance”, and ratings above the market median in all other modules.

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 help protect the environment and to offer good employment conditions. 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 and forced labor, environmental protection, and the prevention of corruption.

→ These guidelines are available at vontobel.com/principles-policies and form part of Vontobel’s general purchasing guidelines.

ESG Investment Governance Committee as a platform to review service providers
The ESG Investment Governance Committee reviews or supervises reviews of our external partners, e.g. research and data providers, periodically and, usually on an annual basis.

Also, because all our boutiques and investment teams are represented in the ESG Investment Governance Committee, it provides a platform to raise concerns, for example those related to service providers.

→ Read more about the role of the ESG Investment Governance Committee on page 15 and about our service providers on page 18.

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.

We process a due diligence of proxy voting services at least every two years, e.g. by reviewing whether the voting recommendations of the proxy voting service providers were in line with their respective voting policy.

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 to 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 who are awarded a bonus have the option of receiving 25% 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 policy, which has been released in February 2021. More information below:

The consideration and alignment of ESG risks and goals within Vontobel's compensation policy suits the purpose to embed ESG in our corporate values. We encourage entrepreneurial spirit and 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 mind-set and courage. Foster performance- and team-oriented culture.
3. Aligned and long-term oriented: 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 conflict of interest. ESG risks and goals are an integrated part of Vontobel's compensation policy

Sustainable investing 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. 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.

Employment and Social Sustainability

Skills and expertise are key

The skills and expertise of our employees are vital to Vontobel's long-term success. We are aware of the competition that exists for skilled employees: As a globally operating financial expert, Vontobel has to compete with major players and increasingly also with small new firms in our industry, both in our Swiss home market and internationally. We therefore want to offer our employees attractive employment conditions.

Corporate Human Resources, which reports to the Executive Committee, is responsible for positioning Vontobel as an attractive employer. Annual reports are submitted to the Executive Committee for the purpose of reviewing the targets and measures implemented in this area. They also serve as a control instrument.

→ Vontobel supports employees who want to complete in-house or external training courses. More information can be found in our Sustainability Report 2020 on page 96.

Diversity and Inclusion at Vontobel

"The collaboration of mixed teams of professionals – with women and men of varying ages who have different career paths, experiences and diverse cultural backgrounds – creates significant added value for the business and for our clients."
Zeno Staub, CEO Vontobel

We are committed to a corporate culture free from prejudices. At Vontobel, we value the many voices within our teams. In all our business units, we strive to engage and promote talent of varying age and gender, with a diverse range of experience, from various cultural backgrounds. We are convinced that this diversity of perspectives leads to a better understanding of the needs of our clients and enables us to provide them with even more added value.

Our approach to Diversity and Inclusion is based on valuing and understanding variety in three central areas: cultural diversity, gender, and generations.

For cultural diversity: When building teams at our 21 international locations, we consciously ensure a balance between Swissness and the nationalities of our clients. In doing so, we are able to accurately understand their needs and develop solutions that fit.

For equal opportunities: Teams comprised of women and men promote a diversity of thought and open up new perspectives for success. Consequently, equal opportunities for men and women are essential for our business success. For this reason, we at Vontobel are also working on attracting and promoting up-and-coming female talent, female specialists, and female managers, with the clear goal of increasing the number of women in our workforce, particularly in leadership positions.

In the “Gender” focus area, we are striving to continuously increase the number of women at senior management level or with leadership responsibilities, where we see the biggest potential. Also, the Talent Acquisition team is placing a targeted focus on ensuring a healthy mix of female and male candidates in the area of recruitment.

In addition to its cooperation with the women’s network “Fondsfrauen”, Vontobel became a member of “Advance” in 2019. We also participate in benchmarking studies, such as the St Gallen Diversity Benchmarking Report and the Advance HSG report. HSG Diversity Benchmarking has confirmed that Vontobel demonstrates an above-average commitment to the pro¬motion of women.

For exchange between generations: The exchange of experience and sharing of knowledge between young and old is critical for sustainable company success. This is why, at Vontobel, young professionals and experienced colleagues work together, in order to develop solutions for our clients that are both viable and future oriented. With this conscious integration of all age groups, Vontobel is also contributing towards dealing with the demographic change in society.

The age structure shows that most employees are aged between 30 and 50. Targeted measures are needed to align the potential of this age group with the divisions’ staffing needs.

As per 31.12.2020, at Vontobel Asset Management, we had about 70% men and 30% women in our workforce and 37 nationalities are represented.

→ More information about our workforce structure can be found in our Sustainability Report 2020, on page 98–99. It provides figures about our workforce by domicile, gender, nationality, age and years of service at Vontobel level.

Appendix 2

ESG expertise

Integrated setup and ESG experts
As described on page 19, 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 will bring even more relevance to ESG considerations into our investment decisions.

Our ESG team represent the heart of our ESG expertise. While several investment professionals do ESG analysis as part of their fundamental research, for example at our TwentyFour Asset Management boutique where all portfolio managers perform ESG analysis, further professionals are specifically allocate a greater proportion of their activities to ESG or exclusively work on ESG related topics. As part of our ESG team, we count dedicated ESG analysts, analysts undergoing deep research on ESG topics, portfolio managers of sustainable strategies, ESG leads of investment boutiques, as well as professionals working on overarching ESG topics.

More than 30 investment specialists with different backgrounds work on ESG-related topics, being portfolio management, ESG research or on overarching 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 assign 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 for our teams to stay 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 ongoing share of know-how related to ESG. During research meetings, general developments on ESG are discussed. The ESG Center also serves as a platform to monitor the latest developments in the ESG context and is in regular exchange with the investment teams.

Certain mandatory training integrates ESG-related topics. For example, we have regular sales training for ESG strategies as well as general education on ESG topics, e.g. in our global or local sales training. Through the Vontobel Academy, our employees can access internal and external training sessions. In 2020, we have integrated a four-module e-learning program on this platform, developed by the industry association Swiss Sustainable Finance. The modules provide a handy primer of how sustainability creates added value for companies and consequently for investors as well.

Furthermore, our employees have access to leading service providers for data, research, and engagement, such as MSCI ESG, Sustainalytics, and EOS at Federated Hermes. 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 back in 2010, it has grown to 3000 "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 CENTER	ASSET CLASS	BOUTIQUE	ESG LEAD	ESG ANALYSTS	MANAGING SUSTAINABLE PORTFOLIOS
 Lukas Münstermann (Lead)  Marina Preyssat	Equities	Sustainable Equities	 Lara Kesterton	 Camilla Leopoldino  Matthias Fawer Senior ESG Analyst[1]	 Roger Merz  Thomas Schaffner  Marc Hänni  Nils Wimmersberger
		Impact & Thematics	 Thomas Trsan	 Matthias Fawer	 Pascal Dudle  Dennis Podszius
		Quality Growth	 Sudhir Roc-Sennet	 Emily Kao  Mara Der Hovanesian[2]  Zhen Li[2]  Robert Berner[2]	
	Fixed Income	Fixed Income	 Anna Holzgang	 Marion Swoboda	 Thierry Larose  Carl Vermassen  Sergey Goncharov  Daniel Karnaus  Manfred Büchler
		TwentyFour Asset Management	 Graeme Anderson  Chris Bowie		
	Multi Asset	Multi Asset	 Anton Oberhofer	 Eckhard Plinke  Martin Koch	 Gabriele Grewe  Catrina Vaterlaus  Mathias Koller

1 currently hiring
2 Senior investigative analysts.

Source: Vontobel. More information about how our ESG expertise is organized on page 47.

Appendix 3

Covid-19

Our Risk management framework applied to the Covid-19 pandemic
Our Risk management framework, as described on page 20, both ensures good risk management governance but also supports 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 2020.

Whilst a Group-wide Taskforce convened daily to address the overall impact of the pandemic, Vontobel Asset Management's Infrastructure function organized a Taskforce to respond to the heightened investment risk and operational risk environment. A number of special measures were undertaken, centered around a specially convened daily meeting of the Valuation Committee, starting in early March. Its mandate was to ensure appropriate governance over topics such as valuation errors caused by market dislocations, amongst other things. It met daily for the full duration of the market crisis. The Committee included the AM COO, AM Head of Risk, AM Head of Legal, AM Head of Compliance, Boutique Heads or alternates, and Vontobel Fund Management Company representatives. Its proceedings were minuted and included discussions of the market situation and outlook, impact on Vontobel, and decisions about actions required. Its decisions were supported by a range of analytical tools and reports provided by the Risk Management function.

Our client-centric approach during Covid-19
We adjusted our communications to meet client needs throughout the health crisis.

Our first step was to recognize that there was a global crisis and set up a SWAT team to manage our communications. The team delivered communications on market events and enabled clients to hear from our portfolio managers each day as the crisis unfolded. We also leveraged our investment in digital to rapidly publish updates across all channels, assess how much appetite our clients had for these communications as the crisis unfolded, geography by geography. As soon as we noticed that client appetite was declining for communication, we adjusted our plans to avoid spamming them. Clients were appreciative of this:

> **"For the record, Vontobel has been the most proactive manager in communicating Covid-19 updates with us, and appears to be on top of BCP management, or at least transparency of it! Thank you again for keeping us abreast of these matters."**
> Institutional client in Australia

Thankfully, our business continuity plans worked well, so we were quickly able to confirm to clients that all of our business activities were functioning normally, despite many locations being in lockdown.

Since the crisis started, we have pivoted to use digital tools to support face-to-face meetings and deliver uninterrupted support and service to our 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 sustainable development of the environment and society. Being a member of various organizations and a co-signatory of a number of investor initiatives allows us to materialize our commitment and share knowledge and experience with other market participants.

As a pioneer in Sustainable Investing, Vontobel has gained experience over many years. We believe that working together and sharing our knowledge can contribute to the development of well-functioning markets. It enables us, on the one hand, to work towards the convergence of best practices on the market and, on the other hand, to ensure that we are always at the cutting edge of sustainable investing and actively seize the growth opportunities resulting from sustainable investment, and thus best serve our clients.

Publicly supporting these organizations and initiatives, actively contributing to working groups or committing ourselves to report yearly on our sustainable investing activities according to specific frameworks are some of the ways we contribute to these initiatives.

In addition, our ESG and investment experts are regularly invited to give their views as speakers in international conferences, in podcasts, and newspapers.

→ More information in our ESG Library on page 62.

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” or the “Corporate Support Group of ICRC”

→ Find an exhaustive list of our memberships under vontobel.com/en-ch/about-vontobel/responsibility/ratings-and-memberships.

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 gradual implementation of six principles for the broad integration of sustainability in investment processes. Through this, we actively deliver our share 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 3000 signatories, we contribute to more transparency and comprehensible comparability among market participants.

In 2020, Vontobel once again received an above-average score from the PRI and an A+ for the module “Strategy & Governance”. Through these results, we strive to lead by example.

→ More information about our PRI ratings under vontobel.com/responsibility. Find our Responsible Investment Transparency Report in our ESG Library on page 62.

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.

→ More about our Sustainability Report in our ESG Library on page 62 and under vontobel.com/sustainability-report.

To mark the 20th anniversary of the UN Global Compact, Dr Zeno Staub, CEO of Vontobel, joined other CEOs in signing the “Statement from Business Leaders for Renewed Global Cooperation”. In doing so, we pledged to uphold principles relating to the elimination of systemic inequalities and to partnering with the UN, governments, and civil society. Through this initiative, we also call on governments to protect human rights, create an enabling environment to serve the interests of people and the planet, and combat corruption.

→ Read this Statement under unglobalcompact.org.

Since 2008

CDP (formerly the Carbon Disclosure Project)

cdp.net

Vontobel is a signatory to the different CDP initiatives and thereby encourages companies listed on a stock exchange to provide information on their climate risks and the implemented measures to reduce the climate footprint. CDP runs a global environmental disclosure system. Each year, CDP supports thousands of companies, cities, states, and regions to measure and manage their risks and opportunities on climate change, water security, and deforestation. We are also reporting to the CDP since rating and signatory status is increasingly in the focus of potential clients and investors. Additionally, CDP data are integrated into our profile by Bloomberg, MSCI ESG or Climetrics, a climate rating for funds.

In 2020, Vontobel signed up to an initiative launched by CDP together with the World Resources Institute, the UN and WWF. The initiative calls on 1,800 companies to set Science Based Targets in line with the 1.5-degree climate goal and it is supported by almost 140 financial institutions globally. As a CDP signatory, we reported according to the new methodology for financial services providers for the first time in the year under review.

Since 2020

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.

Our membership gives us access to industry resources and tools, as well as Impact Measurement & Management (IMM) Support, such as customized guidance around building and optimizing IMM practice. Additionally, it gives us the opportunity to network with experts globally and to exchange experiences. Our Listed Impact Team actively participates in the GIIN Listed Impact Working group and aims to help increasing transparency and work towards common standards. More about this working group under thegiin.org/listed-equities-working-group.

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.

Vontobel co-leads the Wealth and Asset Management Workgroup at Swiss Sustainable Finance: 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 on the language used when talking about sustainable Finance. Specifically in 2020, SSF and the Workgroup have worked on supporting Swiss market participants with an "EU Regulation Report" to prepare for the upcoming regulatory changes. Based on very good feedback, a Follow-Report was published. Another achievement for the year 2020 is the report "Sustainable Investing: Ten arguments and practical tools for client advisors" which provides client advisors with case studies for clients' interactions.

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.

Asset Management Association Switzerland has committed itself to support Sustainable Finance. Vontobel supported the SBA in developing an orientation framework for dealing with sustainable finance including the topic of climate change. In the first half of 2020, corresponding guidelines and recommendations for members have been published, "Sustainable Asset Management: Key Messages and Recommendations of SFAMA and SSF".

Since 1924

Swiss Bankers Association (SBA)

swissbanking.org

The Swiss Bankers Association (SBA) is the umbrella organization of the Swiss financial center. Its primary objective is to create optimal framework conditions for the Swiss banks. Herbert J. Scheidt, Chairman of the Board of Directors of Bank Vontobel AG and Vontobel Holding AG, has been Chairman of the Board of Directors of the SBA since September 2016. Vontobel supported the SBA in developing an orientation framework for dealing with sustainable finance, "Guideline for the integration of ESG considerations into the advisory process for private clients". In the first half of 2020, corresponding guidelines and recommendations for members have been published. For 2021, SBA has set the Sustainable Finance topic as one of the priorities. Vontobel supports SBA with regular contributions/participation in subject driven working groups.

Appendix 5

ESG integration across our asset classes, boutiques, and strategies

Equities

Quality Growth
Active, bottom-up “high-quality growth at a sensible price” approach aiming to identify highly profitable companies with consistent earnings growth, stable franchises, and solid fundamentals that can perform well during economic expansions and tend to be resilient in difficult market environments.

Sectors: Global, US, international, European, Asia Pacific, emerging markets equities

The ***Quality Growth strategies*** invest with a long-term investment horizon, managing long-only equity portfolios. The foundation to the investment approach is the “High Quality Growth at a Sensible Price” philosophy. The aim is to deliver returns based on long-term investments into solid businesses able to sustain stable rates of growth. Alongside growth, the approach aims to identify and understand ESG risks that underwrite the predictability of investment potential. ESG is seen as range of real-world risks and opportunities where management choices can impact long-term returns for investors. If a management is able to effectively balance the interests of its stakeholders (including customers, employees, and the environment), the company should be better placed to achieve its potential for investors.

Within the investment process, Quality Growth takes a deep dive approach to research. The investment team has a broad set of backgrounds including three senior analysts with backgrounds in investigative journalism. Quality Growth considers its approach to stock ownership as Active Stewardship. Active Stewardship involves regular engagement with managements and other stakeholders to deepen the understanding of strengths and risks as they evolve over time. Engagements range from regular updates with management to those that can be elevated to senior management and the board of directors when concerns arise. Quality Growth exercises its votes independently in the way the team believes will best represent the interests of its investors, and represents a key element of Active Stewardship.

Equities

Sustainable Equities
Gain a clear understanding of the long-term market opportunity, competitive positioning within the industry, management strength, and exposure to ESG-related risks, based on in-depth company-by-company research, before making high-conviction investment decisions.

Sectors: Swiss, Asian, emerging markets equities

The ***mtx strategies*** are based on the belief that there is a strong positive correlation between improvements in a company's return on invested capital (ROIC) and its share price. We focus on a limited number of stocks that are in the top quartile in terms of their ROIC and their industry ranking and are trading at a discount relative to their intrinsic value. For all assets managed according to the mtx strategies, we seek to examine whether ESG data is material to the alpha source of the investment strategy in a selected group of top-performing stocks and whether ESG performance can support ROIC. Central to this ESG integration approach is our in-house benchmark, the so-called minimum standard framework (MSF). Sector-specific MSFs with up to 25 material ESG factors with a possible influence on future cash flows help us evaluate both the companies' ESG risks and opportunities. In 2020, we made new appointments to further strengthen the ESG analysts team.

For clients with a focus on Switzerland, the ***Swiss Equities*** team has been offering sustainable investment solutions for more than 15 years and has a broad range of strategies. When determining exclusion criteria and "best-in-class" approaches, analysts and portfolio managers work primarily with external sustainability rating agencies such as Inrate or Ethos ("Sustainable" product category). In the integrated approach, ESG criteria are an important component of the investment process. The analysts assess the company from both a financial and a sustainability perspective. Analysts define qualitative ESG information for all portfolio stocks – similar to the mtx approach – with ESG criteria being assigned different weightings depending on the sector. The team has one of the largest volumes of actively managed Swiss equities in the sustainable investing space.

Listed Impact
Our ***Listed Impact*** strategies address global trends and challenges such as climate change, the scarcity of natural resources or urbanization based on a targeted approach. The solutions invest in companies whose products and processes have a positive impact on the environment. In this context, we take into account the entire life cycle of these products and processes, since the largest environmental impact often occurs while the product is in use. There are various ways to measure this. For example, we assess energy savings achieved as a result of innovative product developments or optimized processes, such as weight reductions in the area of transportation. Moreover, we have developed a method called "Potential Avoided Emissions" (PAE) together with the ISS ESG consultancy. This solution-oriented approach records the contribution that energy-efficient, climate-friendly products and services are expected to contribute to the reduction of CO_2 emissions in the portfolio. When a company is being considered for possible investment, we look at financial as well as ESG criteria, its contribution to the achievement of the UN Sustainable Development Goals (SDGs) and the measurability of the positive impact generated using indicators defined by us. An Impact Calculator on our website shows the impacts of that investment on the environment, explains the Impact Report and provides details on the positive impacts that have been measured.

Fixed Income

Fixed Income
Active high-conviction investing away from common benchmark indices, based on identifying and exploiting inefficiencies in the fixed income universe.

Sectors: Global, Swiss, corporate, emerging markets, flexible fixed income

In ***Fixed Income strategies***, ESG factors form part of the fundamental risk analysis for countries and companies. In terms of companies, we not only take account of financial data but also of ESG factors and assess their influence on credit quality and credit ratings. In the case of government issuers, our country analysis is based on macro data and political analysis as well as ESG factors, and we take account of their influence on a country's credit rating. We use the assessments of recognized ESG research agencies for this purpose and then take an in-depth look at critical ESG issues using our in-house capabilities and methodologies.

TwentyFour Asset Management
Targeting attractive risk-adjusted returns throughout the economic cycle, with a strong focus on capital preservation, integrating an innovative ESG framework.

Sectors: Asset-backed, investment grade, outcome-driven, strategic fixed income

Our subsidiary ***TwentyFour Asset Management*** manages all portfolios using an ESG integration approach, where ESG factors are evaluated alongside traditional credit metrics in a proprietary ESG database. For the sustainable fund range ("Sustainable"), further negative and positive screening is applied beyond simple ESG integration. Negative screening excludes sectors such as tobacco, alcohol, controversial weapons, gambling, adult entertainment and carbon intensive energy. Positive screening means that investments are only made in companies that have ESG scores from our in-house scoring model that rank within the top two-thirds of potential scores.

Engagement is a key factor for credit investors who are unable to vote in the same way as shareholders. TwentyFour is convinced that active engagement enables it to influence the conduct of companies. Engagement activities are disclosed on the website and are discussed in regular client reporting.

Multi Asset

Multi Asset
Exploit market beta and selected alpha return sources across all major asset classes based on bottom-up and top-down assessments to determine allocations, with the long-term objective of protecting and growing clients' assets.

Sectors: Absolute-return, benchmark-aware, systematic or fundamental asset allocation, active beta, active alpha

Binding minimum ESG standards have applied to all underlying securities for all mandates managed by the ***Global Balanced Solutions*** team since 2018. In this context, we exclude certain arms manufacturers, thereby applying the exclusion lists of the Swiss Association for Responsible Investment (SVVK-ASIR) and Vontobel. Moreover, companies must satisfy a minimum standard in their ESG assessment. This approach excludes particularly high-risk securities, improves risk management, and allows for the structuring of more robust portfolios. We rely on the experience of our own ESG analysts, which is also recognized by external agencies.

The existing and proven best-in-class approach naturally remains a key pillar of our multi-asset offering for clients who wish to have a stronger sustainability focus. Here, companies in critical sectors must meet more stringent requirements. In addition, individual value-based exclusion criteria are applied in customized solutions.

The basic portfolio of the ***quantitative Multi Asset funds*** consists of bonds with a minimum ESG rating. The active positions are built using index investments. We observe the market for sustainable indices in this context and take account of relevant products with sufficient liquidity.

Appendix 6

Some research examples

Navigating ESG ratings
On November 2019, we published a whitepaper looking into the reasons why ESG ratings providers cannot agree on how to rate companies and why some of these challenges are here to stay. Our goal was not only to caution against relying on a simple final score from an ESG agency for investment decisions, but also to offer a solution to the problem that investors face when they want to consider ESG criteria. We believe it requires a nuanced understanding of the issues, backed by focused and multi-layered analysis to see both the details as well as maintaining an overview of the issues affecting the investible universe.

ESG ratings: Why can't ratings providers agree?
ESG rating agencies are booming. These raters assess a number of different metrics, adding their own proprietorial magic for how to aggregate, weight, and come up with an overall number or grade. Akin to a credit rating score, this might give the impression of a consensus-drawn evaluation derived from hard facts and defensible figures, but these grades mask layers of subjectivity and hidden biases. In fact, approaches, and therefore results, of ESG raters differ widely.

Our research confirms that ESG rating agencies neither agree on what constitutes good ESG practice nor who is good or bad at it, particularly in the tails of the ratings. The raters usually go about the rating process by developing proprietary methodologies to rank and score companies on the panoply of ESG issues.

10 challenges and how to sail around them
During our research, we identified ten challenges for ESG ratings. How to sail around them? Better quality and more comparable data from companies should address a major reason for disagreement amongst raters. Various industry and legal initiatives are working to create a common set of metrics on which all companies should report on. Another way to mitigate the problem is technology: Artificial-intelligence-driven ESG ratings and unconventional use of data sources for example.

An active, high-conviction manager should look beyond aggregated ratings
This disillusion with ratings requires looking beyond frameworks and adopting a multi-layered approach. To start with, investors should use data from the ESG raters to feed their own in-depth assessment to enrich fundamental analysis. A step-by-step process of investigation leads to a much more detailed and holistic understanding of a company, focusing on the few issues that are really material to that company or issuer. This detailed appreciation of the top ESG risks that can impact performance is much more informative to an active investor than a single unexplained score from a third-party ratings model.

→ Visit our website to read the complete whitepaper "Navigating ESG Ratings" and many more am.vontobel.com/insights/white-papers.

Top 10 challenges for ESG ratings

Material factors
What ESG topics are looked into? What is considered a material issue?

Measurement
What metrics are scored for these material issues?

Data quality
What data sources are used for the metrics? How reliable are they?

Gaps treatment
How are data gaps treated? Penalized? Filled with averages?

Timing aspects
How often do raters rate? Reporting lag and backward looking data concerns

Rater bias
Raters' world view has latent influence on how metrics are interpreted

Weighting methodology
How are metrics aggregated into a score?

Controversy handling
What relevance/red-flag importance is given to controversies?

Benchmarking
Is the final rating based on a relative or absolute scoring?

Aggregation of ratings
Fund average score gives a false impression of wide score divergence

ESG in emerging markets

A deep dive on ESG integration in one of our markets

"Fortune favors the bold"
Market study on emerging markets
In 2020, Vontobel Asset Management conducted research into emerging markets investment preferences. This global study, surveying 300 professional investors worldwide, investigates the complexity that comes with growing emerging markets allocations. ESG aspects were part of the research.

Why ESG plays a key role in emerging markets
There is another limitation of passive investment that is important in the debate about how to invest in emerging markets: it makes it more difficult to invest using the right ESG criteria. And the growth of ESG investment at a global level does not stop when it comes to emerging markets; many investors see ESG as a crucial part of their investment process.

ESG rises up the agenda in emerging markets
In this research, 59 % of investors said that ESG factors already influence the decisions they make about emerging market allocation and stock selection, and a further 37 % say they take ESG into account to at least some extent. Among investors with time horizons of ten years or more, the proportion who take ESG factors into account to a great extent, rises to 70 %.

This is not a question of running emerging markets portfolios with ESG screens – either negative or positive. Investors are focusing on ESG factors as indicative of both potential risk and opportunity. Many investors do believe that ESG factors may be indicative of potential to outperform: some 45% of investors in this study see ESG scores becoming one proxy for quality in the decision-making process.

The good news is that the traditional stereotypes surrounding emerging market businesses – that they lack transparency and are prone to bad practice – are looking increasingly outdated. While investors say that information can still sometimes be difficult to obtain, many companies recognize the desire of a global investor base to focus on ESG issues and have moved towards more sophisticated reporting processes. Asian companies, in particular, are regarded as stronger in this regard than those in other emerging markets.

Quantitative research: ESG in emerging markets
Vontobel Asset Management mtx team has conducted quantitative research about ESG in emerging markets. The research explores how to deal with ESG scores in emerging markets and shows that the contribution of Return on Invested Capital (ROIC) to active returns in emerging markets exceeded that of sustainability.

On the face of it, one might conclude investors interested in emerging market equities gain only a little from integrating ESG into their decisions. Nor does an improving trend in ESG scores, so-called ESG momentum, help EM stocks, according to Lara Kesterton, Head of mtx ESG Research. However, sustainability was found to support other valuable investment qualities. "ESG is positively correlated with safety – meaning lower volatility, higher stability, and lower earnings risk," she said. Moreover, good sustainability credentials act as a proxy for quality, Kesterton noted, adding that such companies tend to be better ESG performers.

> **"ESG in emerging markets is still young and evolving. We expect that ESG in emerging markets will become more significant over time and converge with the more consistent patterns we see in developed markets."**
> Roger Merz, Head of mtx Portfolio Management

When focusing on tier-one ROIC companies, avoiding the worst-in-class ESG companies is clearly beneficial, Roger Merz, mtx's Head of Portfolio Management noted. He added that the picture changes when looking at developed markets where a more consistent and linear relationship between ESG scores and performance is plain to see. There, a different approach to ESG thresholds may be more appropriate.

→ Visit our website to find out more about these studies. am.vontobel.com/emerging-markets

ESG can help investors decide where to invest

Among investors with time horizons of 10 years or more,

say that ESG factors influence the decisions they make about emerging market asset allocation and stock selection to a great extent

ESG in emerging markets

Three experts speak out on ESG and emerging markets

—

Sudhir Roc-Sennett
Head of Thought Leadership & ESG Quality Growth Boutique

— How does ESG add value in your asset class or investment process?
For us, ESG is a long-term part of the investment undertaking that, if ignored, can lead to increased risks or underperformance in the future. We see ESG adding value the same way as getting health check-ups and taking care of health issues for people: it discovers and cleans up potential problems that you might face down the line, you know, in order to continue a healthy progression to your full potential and avoid issues turning into chronic problems.

— Is ESG more difficult in emerging markets than in developed markets?
Yes. Governance challenges include regulatory ones, as regulators in emerging markets are not necessarily so aggressive in protecting minority shareholders, particularly foreign ones. A second is the issue of control. In emerging markets, you often have companies with controlling shareholders such as state-owned companies or family businesses. For minority investors, this means not just analyzing the company, but getting to grips with the goals of the controlling shareholders. Obviously, you do the corporate analysis, but you also need to understand the goals of the controlling shareholder and not just the company as they report it.

—

Lara Kesterton
Head of mtx ESG Research Sustainable Equities Boutique

— What are the marks of a good emerging markets ESG manager?
Be systematic, focused, dig deep when you find issues, and build your own picture of company performance from many sources. We would caution against various pitfalls of blindly adopting headline ESG ratings. Keep your clients informed – ESG is a hot area of interest so report regularly on what you're doing on that front.

While we have a systematic approach to objectively assess companies on their ESG risk management, we need to remain aware that ESG is still a young field and is evolving fast. Therefore, it is important to read a lot and widely, participate in industry conferences, be open-minded to learn from others, and adapt your approach. There are many different ways to approach ESG, and certainly no one "right" way. Building deep sectoral and topic knowledge can help to navigate the various real-world conundrums that come up that do not fit neatly into pre-set frameworks.

Another tip is to speak with your investee companies when possible and bring ESG matters to the table. We find this to be a useful source of strategic insight on how they assess and manage top ESG risks and the level of commitment to deal with problem areas. Something that can be harder to decipher from public reports. Engagement is particularly valuable in emerging markets and when you don't have a best-in-class approach.

—
Carl Vermassen
Senior Portfolio Manager Fixed Income Boutique

— How does ESG add value in emerging markets and what are the challenges for sovereign bond investors?
We believe strongly in ESG at the normative level and the risk-return level. If you do away totally with the normative aspect, -by normative I mean being a force for good, then I don't know exactly what the difference there is between ESG and just ordinary good asset management.

So, we want to be a force for good. We want to be engaging, but for us who deal with sovereign bonds, it's a lot more difficult to have an impact on a country's governance than say an equity manager can have on a single company's governance.

It feels as if everyone has a view on emerging-market countries – how they should do policy, how they should run their economies, and how they should run their societies, and it's not because an investor that says it that, all of a sudden, a country will change tack. However, we do engage on the governance level in meetings with officials, for example. For this to have a meaningful impact, though, does require more than just one investment manager […].

— What changes do you foresee regarding emerging market investors' attitudes towards ESG?
Investors will become more demanding for sure. By demanding, I mean more knowledgeable. They will look out for things like greenwashing – many of them already do. They will also demand more reporting, which is inevitable and also a good thing. Increased regulation will also require more reporting. This will put pressure and require more resources from asset managers. All in all, if you claim to be ESG, you will have to prove it through reliable and thorough reporting.

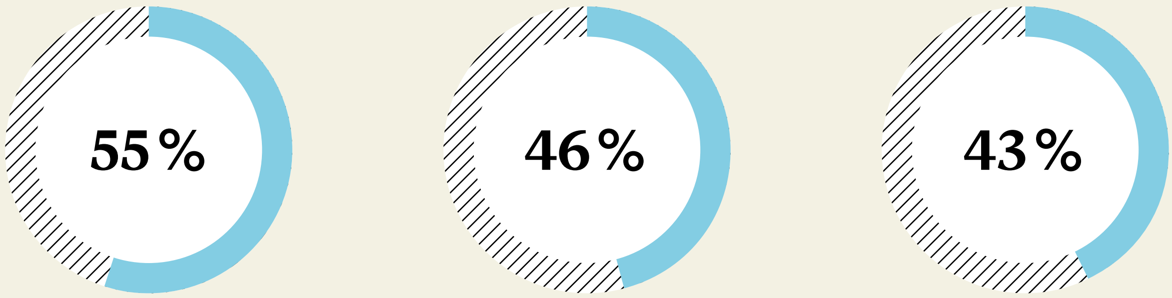
→ Read the complete interview of our ESG experts under am.vontobel.com/insights/three-experts-speak-out-on-esg-and-emerging-markets.

The ESG knowledge barometer 2020

As an investment manager, we are interested in the development of the perception of sustainable products, by our institutional clients but also by their private end-clients.

We commissioned a survey for the first time in 2019 and updated it in 2020, with over 5,100 participants from 16 countries.

The ESG knowledge gap today is too wide …

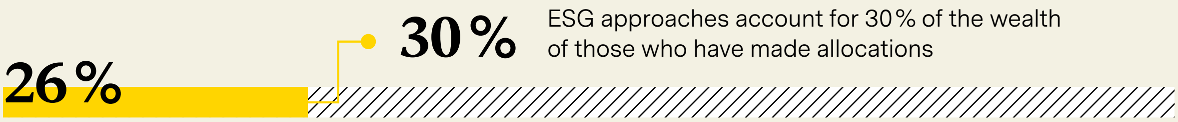


of respondents do not know an ESG approach to saving and investment is even possible

would welcome greater support and advice on ESG from their advisers

would like their advisers to provide more information on ESG topics

… so for now, ESG remains a minority activity …



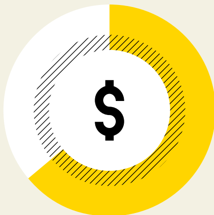
have made savings and investment decisions according to ESG principles

have been offered an ESG opportunity by their adviser

… but more people than ever want an ESG approach …

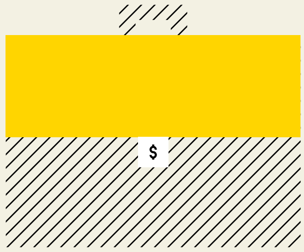
69 %

believe that too few businesses take their widder responsibilities to society seriously



64 %

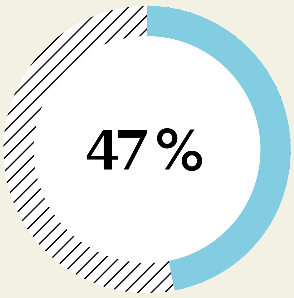
believe ethical businesses will deliver better investment returns



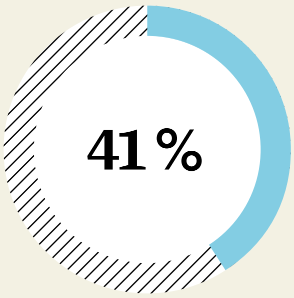
48 %

of a notional $ 100 portfolio is the amount respondents say they would invest according to ESG principles

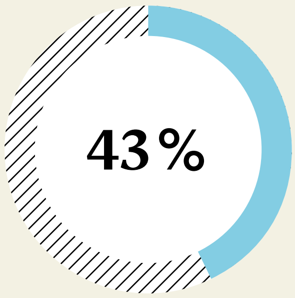
… and they are looking to advisers for ESG support



of respondents say an adviser providing information on ESG opportunities would be a critical influence on their behavior



of respondents would be more likely to choose an adviser able to support their ESG ambitions



of respondents would switch out of savings and investments if their money was allocated to activities they disagree with

Source: Vontobel original research carried out in August 2020, based on a survey of 5,146 consumers in 16 markets in Europe, North America, South America, as well as in Singapore and Hong Kong.

Appendix 7

Our ESG Library

Yearly reports about our Sustainable Investing activities
At group-level, Vontobel publishes a sustainability report, as part of the annual report.

→ Find our Sustainability Report under vontobel.com/sustainability-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
- Sustainability Principles (page 11)
- Sustainable Investing policy
- Guidelines on cluster bombs and land mines
- Voting and Engagement policies

→ Find more information about these policies on page 14 and under vontobel.com/principles-and-policies.

International conferences and roundtables
We regularly share our views and knowledge as speakers in international conferences.

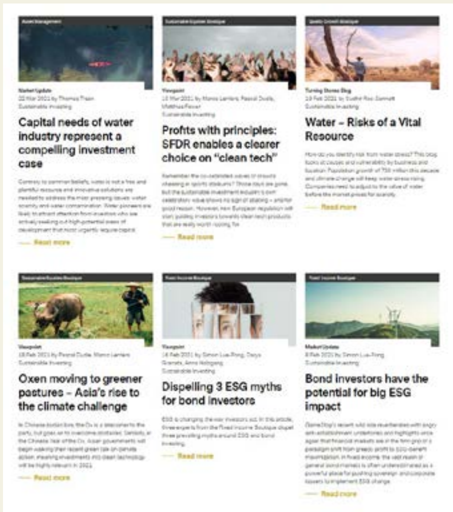
One example is the Geneva Forum for Sustainable Investment in September 2020, where we presented the topic "Emerging Markets: adding value through assessing ESG factors".

Newspaper articles and podcasts
Below a non-exhaustive list of the topics our experts had the opportunity to contribute to in Swiss and international newspapers and podcasts in 2020.

- "ESG as risk management tool in emerging markets"
- "Why the boom in sustainable investments harbors risks"
- "How to deal with controversies"
- "What lies behind ESG ratings"
- "Quant funds will not fail the ESG challenge"

Insights
We regularly produce and share our research findings and thoughts about ESG-related topics on our website.

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



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.

Appendix 8

UK Stewardship Code 2020

PRINCIPLES	PAGES
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