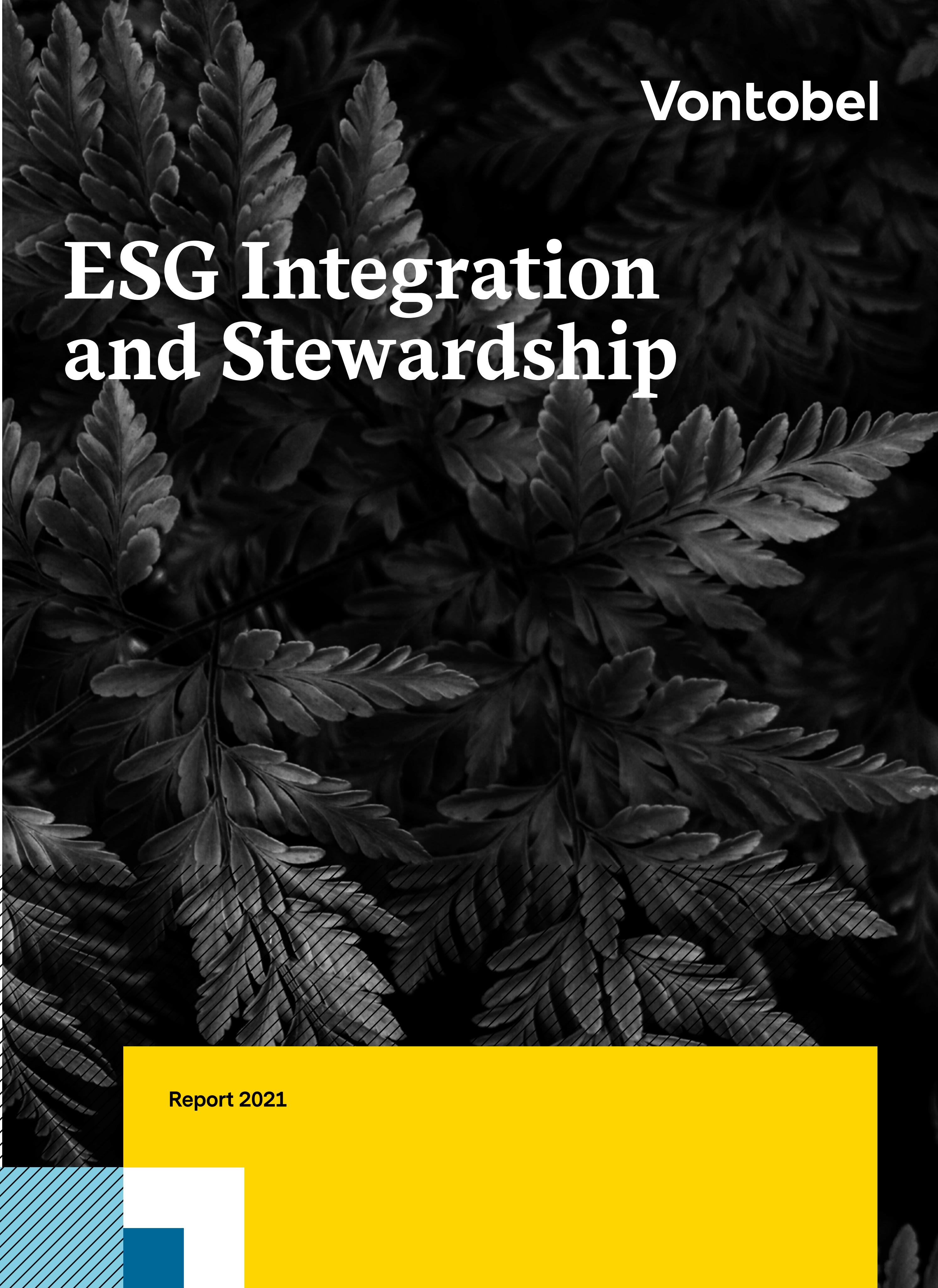
Vontobel

ESG Integration and Stewardship



Report 2021

Asset Management

Content

Foreword

ESG remained a central topic in 2021. The last year was marked by global challenges, with the pandemic emphasizing social vulnerability and extreme weather events underlining climate change impacts. In parallel, the bar is rising in terms of regulatory requirements, as well as stakeholder expectations.

These developments remind us of the necessity to act now. While multilateral treaties can move the needle, the legwork also needs to be done by the corporate world. And this is where the financial industry can play a part: in identifying today's sustainability winners and supporting clients in navigating sustainability risks.

As a global investment firm, we engage in an active dialogue with our clients about known and future risks and opportunities. Our latest survey of ESG knowledge in the investing community shows that more and more people are interested in companies that observe environmental, social, and governance standards, and that the growth potential remains huge. It is of decisive importance to our clients that our investment solutions generate a financial return and enable our clients to align their investment decisions with their investment objectives as well as their personal values. In contrast to passive investors, our actively managed invesment products are built on specific knowledge, which allows us to better identify companies supporting sustainable transformation.

Vontobel has been offering ESG investment solutions for over two decades now. We recognize that ESG investing is evolving in a fast-paced environment, through which we navigate, while building on the responsible entrepreneurship values of our founder and the Vontobel family who remain committed to the business to this day.

Vontobel has expanded its sustainability positioning to include six commitments that set out our contribution to a more sustainable economy and society. We commit ourselves to being a responsible citizen by managing our own emissions but also creating a working environment fostering diversity and inclusion. On the other hand, we partner with our clients by advising about opportunities arising from the ESG space and providing appropriate ESG investment solutions.[1]

One of our six commitments is also about providing transparency about the relevance and management of sustainability-related opportunities and risks. In that context, I am glad to share with you our ESG Integration and Stewardship Report 2021. I trust that you will find it informative and hope that it can act as a basis for ongoing dialogue regarding your investment needs, in the context of sustainability.

Dr. Zeno Staub
Chief Executive Officer, Vontobel

1 More information about these commitments can be found on page 11.

Our profile

A reliable partner
To support the investment goals of our clients, we strive to be their reliable partner. We are committed to delivering leading-edge investment solutions that address their needs. Investing side by side with our clients makes us partners and aligns our interests.

Adding long-term value
Dedicated to creating value, we manage our clients' assets actively and invest only if we are convinced that it will pay off in the long-term. We stick to our proven investment processes to deliver repeatable performance.

Sustainable investing
We offer sustainability-conscious solutions, supporting the United Nations' Environmental, Social and Governance Principles for Responsible Investing, to benefit our planet and society.

Sharing our convictions
Clear convictions are a prerequisite for investment success. Our convictions are the result of our relentless in-depth analyses and calculations. We share our findings so that clients can invest with conviction too.

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

18 locations
across Europe, the US and Asia Pacific

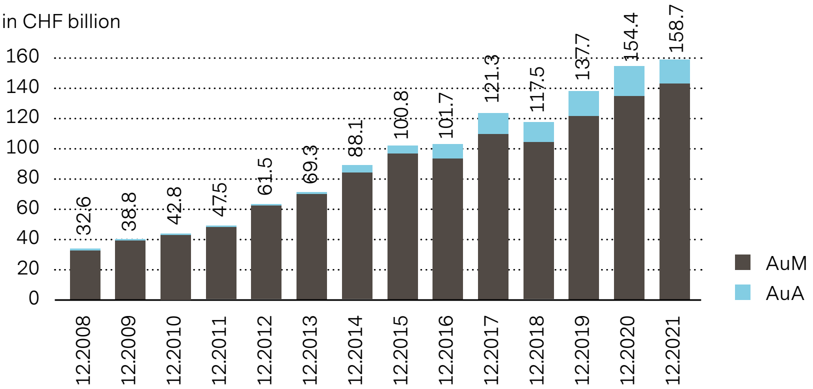
200+ investment specialists

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

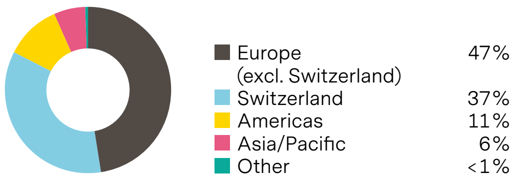
50.9% family-owned
parent company ensures entrepreneurial independence

Total client assets

in CHF billion



AuM by region



AuM by client segment

Client assets by boutique[1]

ASSET CLASS	BOUTIQUE	CLIENT ASSETS IN CHF B
Equities	Quality Growth	33.0
	Sustainable Equities	20.1
Fixed Income	Fixed Income	40.4
	TwentyFour	28.4
Multi Asset	Multi Asset	13.7
	vescore	35.6
Total		**171.3**

[1] Including CHF 26.4 B assets under advisory across all boutiques, excluding CHF 5.3 B private label funds.

Source: All data as of December 31, 2021

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
Vontobel has a clear ambition. By 2030, Vontobel aims to 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 2021 (page 14) 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

When integrating ESG considerations into our investment processes, we aim to navigate sustainability risks and seize investment opportunities arising from the ESG characteristics.

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 2021

6

Vontobel has expanded its sustainability positioning to include 6 commitments that set out our contribution to a more sustainable economy and society.

→ More about these commitments on page 11.

98 %

For 98 % of our total AuM, ESG risks are integrated in the investment process.[3]

→ More about our ESG Integration philosophy and classification approach can be found on page 16 and 17.

35.4 B

CHF AuM in sustainable strategies, representing 25 % of our AuM.[1,3]

→ More about our product categories on page 17.

“Prime”

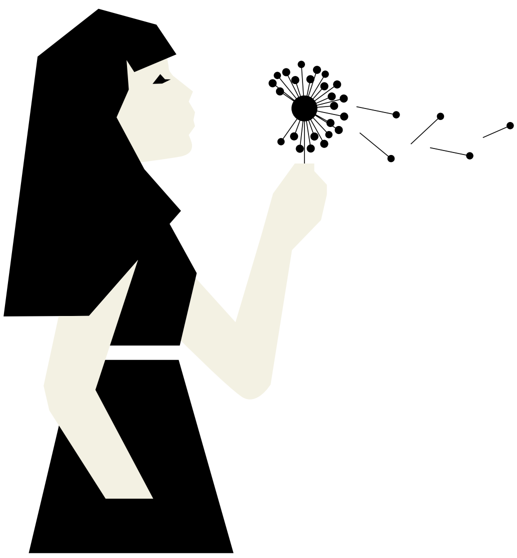
ISS-ESG, an independent ESG ratings agency has awarded ‘Prime’ status to Vontobel. MSCI, Sustainalytics, ISS ESG have given Vontobel above-average sustainability ratings in environmental and social dimensions.

20+

We currently market 20+ strategies with sustainability criteria and are able to offer customized solutions based on client specific requirements.[2,3]

A+

Vontobel is a signatory of the Principles of Responsible Investment (PRI). We were awarded, in 2020 and 2019, an A+ for the PRI module “Strategy and Governance”, and ratings above the market median in four of the six other modules.[4]



1 As per 31.12.2021
2 As per 31.12.2021
3 More information about this approach can be found on page 17.
4 UN PRI reporting outcomes for 2021 have been postponed to 2022.

Our ESG journey

Our heritage

Responsible entrepreneurship and sustainability have 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 implementing a sound business policy and conservative capital position and thus laid the foundations for the system of values that Vontobel still upholds today.

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

Responsible corporate citizen, pioneer in sustainable investing
Vontobel acts as a responsible corporate citizen and employer, supporting communities and considering environmental aspects when running its own operations. Sustainability also plays a relevant role in our business activities. As a pioneer in the field, we have offered our clients a wide range of sustainable investment solutions since the 1990s. Institutional investors can obtain the entire range of sustainable solutions from us. These include various equity funds in which sustainability aspects form an important criterion for the valuation and selection of companies. This philosophy was formalized into our ten sustainabiltiy principles in 2007.

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.

Key dates

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. From the integration of sustainability in our investment activities to being a fair employer and acting in an environmental friendly manner, these principles cover the entire range of our activities as a financial institution.

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 2019 and 2020, Vontobel has been awarded an A+ for the PRI module "Strategy & Governance" and grades above the market median in five of the seven PRI modules.[1]

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.

2021
Signatory of the UK Stewardship Code
Vontobel Asset Management has demonstrated its commitment to effective stewardship, through the compliance with the principles of the UK Stewardship Code.

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

→ Find more about our memberships on page 63 and on our website under vontobel.com/ratings-and-memberships

[1] UN PRI reporting outcomes for 2021 have been postponed to 2022.

Looking ahead

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

In 2021, Vontobel has expanded its sustainability positioning to include six commitments that set out our contribution to a more sustainable economy and society.

These six sustainability commitments are governed by the Corporate Sustainability Committee. Each of them have been assigned to an owner, who promotes the commitments internally. In 2022, we will be formalize key performance indicators (KPIs) to monitor our progress on these commitments, but also integrate them in our policies and reports.

Our six sustainability commitments

Being a reponsible citizen	Partnering with our clients
Net-zero by 2030 In our own investments[1] and operations	**Client Advisory** Advise clients about ESG opportunities
Equality, diversity and inclusion Implement practices advancing equality	**Providing ESG investment solutions** ESG offering across all Client Units
Transparency Transparent disclosures and reporting	**Emphasize ESG criteria in our investment decisions** ESG considerations implemented in investment process

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

Dr. Maja Baumann
4th generation of the Vontobel family and member of the Board of Directors

[1] Own financial investments in the banking book.

Our conviction on ESG

Responsible and client centric
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, seize opportunities arising from the sustainable transition, but also navigate sustainability risks.

This ambition is derived from two principal motivations:

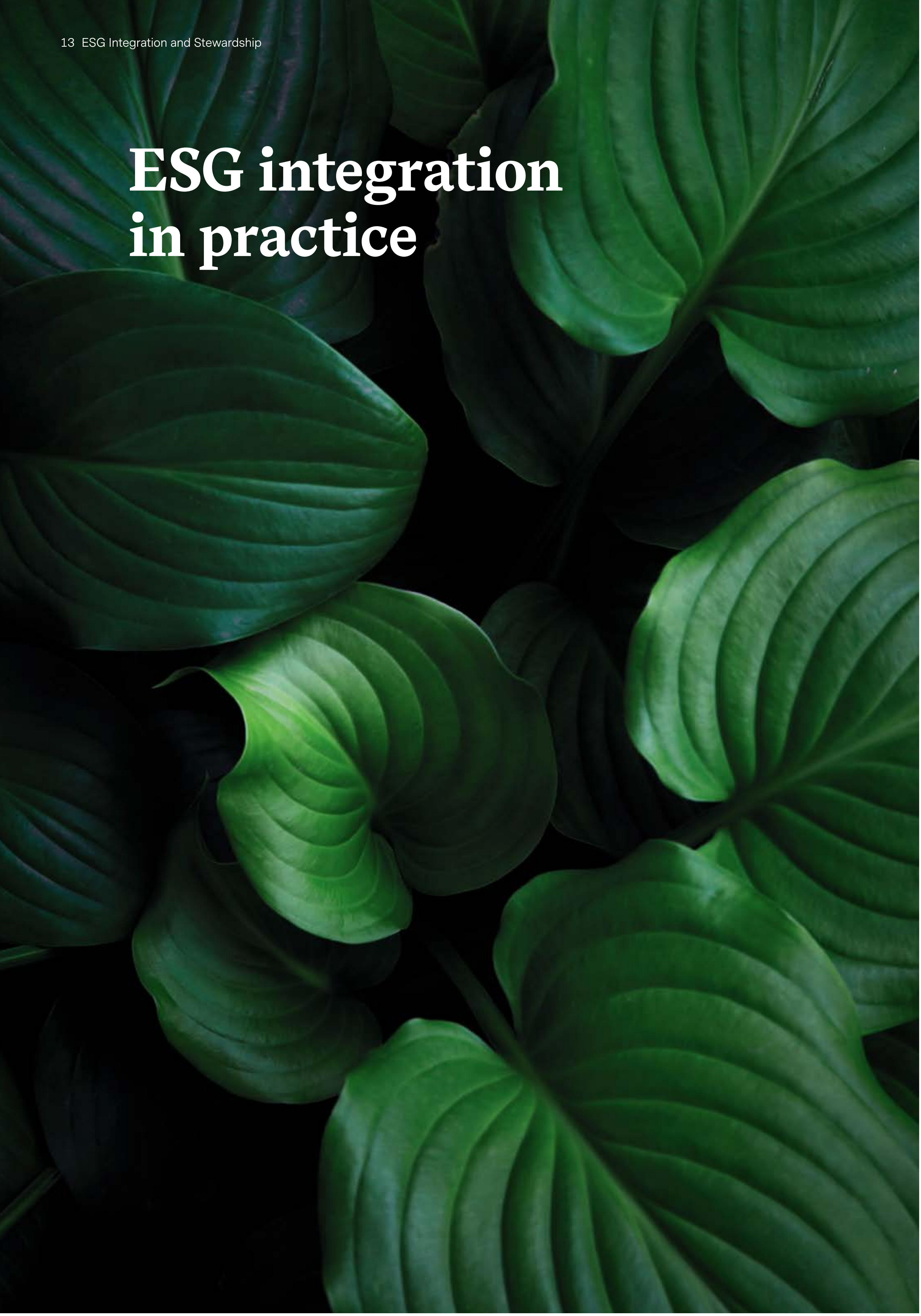
- As a globally active investment manager, we recognize that we have a responsibility towards our stakeholders to play an active role in the sustainable transformation of the economy and society for future generations. We believe our business decisions have the potential to significantly impact society and the environment. Paying attention to ESG topics is part of our fiduciary duty and helps ensure that we build resilient solutions.
- We recognize the unprecedent demand for ESG investment solutions. We are close to our clients to best understand their needs. With our 20+ years track record and expertise in this field, across equity, fixed income and multi asset asset classes, we are a credible partner for our clients.

Active asset management and ESG
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. Looking beyond external ESG ratings and building our own opinions allows us to leverage the power of our active management approach.

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.

ESG integration in practice



ESG 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 9, define the areas in which we take action to implement our sustainability strategy.

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

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
Whenever authorized to do so, 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.

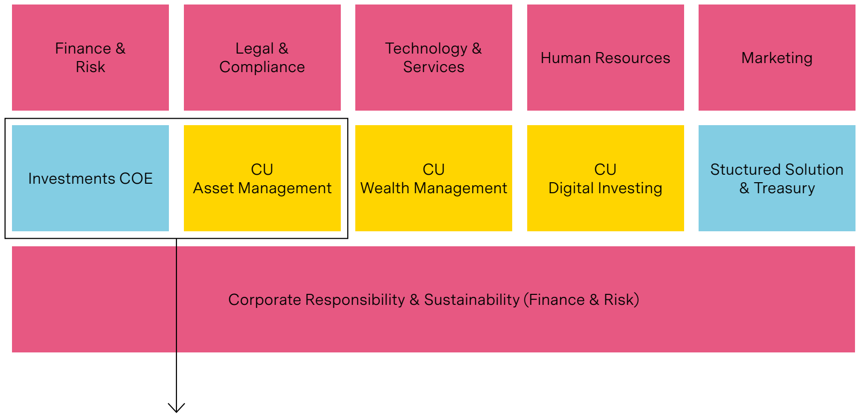
Vontobel's Corporate Sustainability Committee and the Vontobel Asset Management's ESG Investment Forum review the policies related to our sustainability approach on a regular basis.[1] Any amendments to the policy may then be made by the policy owner and must be duly approved by the unit responsible for issuing the corresponding policy document, e.g., the Executive Committee of Vontobel Holding AG grants the approval for group policies.

→ Find out more about our guidelines and policies in our ESG Library on page 74.

1 More information about the policy review process can be found on page 56.

ESG governance structure[1]

Corporate Sustainability Committee

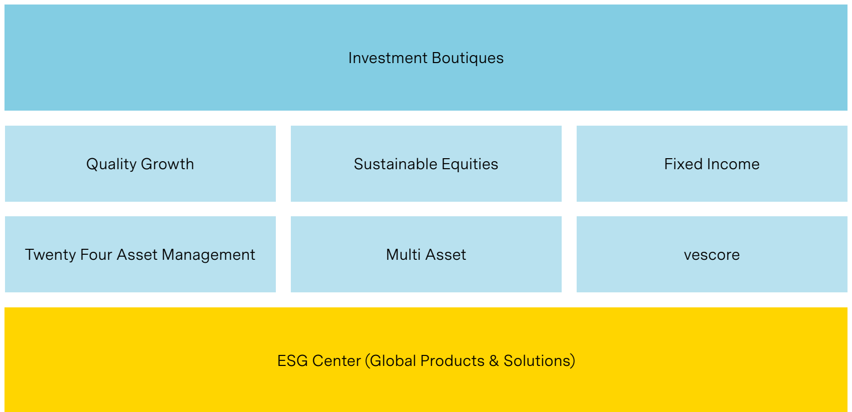


The Corporate Sustainability Committee acts on behalf of the Global Executive Board. It develops and monitors the implementation of the company-wide sustainability strategy. Additionally, it plays a determining role in defining the go-to-market and overall ESG offering. Finally, it is responsible for overarching ESG strategic and operational tasks.

The key area of responsibilities of the Client Units and Centers of Excellence representatives is the development of ESG goals in the business plan. This includes the six Sustainability Commitments.

Key areas of responsibilities of the Corporate Responsibiity & Sustainability team are the implementation of the corporate sustainability strategy, the operational management of the Corporate Sustainability Committee and sustainability disclosures.

ESG Investment Forum



The ESG Investment Forum defines the ESG product strategy for the Investment Boutiques and formulates investment related ESG policies. It also ensures good ESG product governance.

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, new or repositioned investment products' ESG quality is analysed by the forum, in terms of resources, team set-up, ESG data usage, credibility, sophistication. Each boutique has an ESG Lead, supervising the ESG approach and representing the boutique in the ESG Investment Forum.

The ESG Center is an independent, cross-boutique and cross-regional entity, responsible for the development of the ESG product strategy. It advises the investment teams on latest regulatory, market and product developments in the ESG investing context. The ESG Center represents the link within our multi-boutique setup.

[1] More information about our ESG-related governance processes on page 51. As part of its ongoing effort to adapt to the ESG market developments as well as the evolving regulatory requirements, Vontobel is currently in process of updating its sustainability-related policies and other relevant documentation.

Our integration philosophy

Our ESG Integration philosophy is the common ground of all our ESG investing 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.

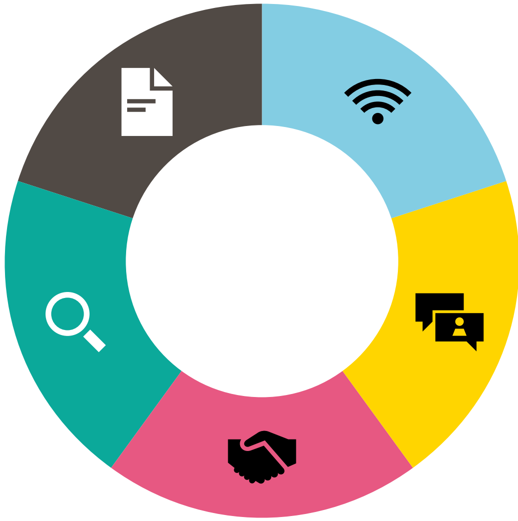
→ Find out more about our investment strategies and how ESG is integrated on page 67.

Transparency

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

Oversight

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



360° perspective

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

Independent 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.

Classification of our products
All investment solutions offered by Vontobel Asset Management exclude cluster bombs and landmines and apply the overrarching processes for the moniroting of severe ESG controversies.

We categorize products in three ESG product categories: "Integrated ESG", "Promote ESG" and "Sustainable". Minimum criteria have been defined for the categories. In order for them to be analyzed and categorized, each boutique presents investment solutions to the ESG Investment Forum. Depending on the ESG investment approach and objective, the Forum assigns the investment solutions to one of these three product categories.

Integrated ESG

With "Integrated ESG" products, the focus lies on the sole consideration of ESG risks analysis and the transparent communication of how those risks influence our investment decisions. Accordingly, the investment manager approaches the ESG integration philosophy from a risk perspective.

Promote ESG

Next to ESG risks these products consider other material ESG factors to promote environmental and/or social characteristics. Additionally, they must follow a voting and engagement strategy aligned with these characteristics. Finally, these products must report on the attainment of the promoted environmental and/or social characteristics.

Sustainable

For "Sustainable" products, we additionally apply sector exclusions (e.g. tobacco, controversial arms, coal extraction) based on values and standards, and some invest in companies that contribute to environmental and/or social sustainable investment objectives. These companies play a positive role in the sustainable development of the economy and society and capture opportunities arising from this transition.

Our ESG product categories in the context of SFDR
Since Vontobel is a globally active financial expert, not all of our products fall within the scope of the European Sustainable Finance Disclosure Regulation (SFDR). At present, there is no uniform internationally recognized framework for financial products that integrate ESG criteria. To ensure transparency and comparability, we have classified all of our investment solutions that integrate ESG criteria according to the SFDR. In the case of investment solutions that are not subject to SFDR, the classification has been applied mutatis mutandis.

We observed that our clients were increasingly interested in the framework developed under SFDR. The "Promote ESG" category has been developed in this context and meets Article 8 SFDR requirements. Criteria for this category were developed in 2021 and will come into effect in 2022. We will start reporting next year on this category.

- Products in the category "Integrated ESG" are classified as Article 6 (consider ESG risks) from an EU SFDR (Sustainable Finance Disclosure Regulation) perspective.
- "Promote ESG" products meets Article 8 SFDR criteria.
- Products in the "Sustainable" category are classified as Article 8 SFDR or as Article 9, depending on their focus. Those that have as their objective to invest in companies or issuers that contribute to an environmental or social objective are classified as Article 9.

360° perspective

We do not rely on a single source of information, and we strive to build a holistic picture on trends and companies. On top of data directly made available by issuers and publicly available data, we use data from different source, including 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.

Our mtx team manages a strategy with a Chinese companies investment focus that considers ESG aspects. As ESG data quality remains a challenge for Chinese companies, we decided to look for a specialized data provider. End of 2020, we onboarded SynTao Green Finance to our list of data providers, an industry leading service provider in China with a focus on sustainability topics. SynTao allows our mtx team to have access to detailed research, fully based on precise local information sources and accordingly supports us to better unlock the regional contextualities of this market.

In some cases, the information we gather from these conventional data sources are not sufficient. Thus, fact-finding engagement may be conducted, directly by our investment specialists and ESG analysts.

This involves actively requesting information on ESG aspects, either where such information is not available at all, or where insufficient information has been provided in response to our questions. This allows us to make better informed decisions.

Informed by third-party ESG data, our 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 main sources of information

- Data directly made available by the issuers (sustainability report, website, …)
- Publicly available data (newspapers, industry associations, public research, …)
- Specialized ESG data providers
- Fact-finding engagements

ESG data 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
- Refinitiv
- Inrate
- RepRisk
- SynTao Green Finance
- Trucost

ESG analysis and reporting
- YourSRI.com
- ISS ESG

Voting and Engagement
More information about our voting and engagement service providers can be found in the dedicated section starting from page 30.

→ Read more about how we monitor service providers on page 57.

Case study: investigative journalists by our Quality Growth strategies team
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.

Case study: systematic gathering of information by our Listed Impact Equities team
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 is e-mailed to all portfolio holdings on a yearly basis. Over time, replies improve 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. More information about this process can be found on page 48.

Independent opinions

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 19).

→ An exeample of methodology developed by our investment teams can be found on page 22. An overview of other approaches can be found on page 67.

How we operate
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.

We believe an integrated approach brings more relevance to ESG considerations into our investment decisions. Accordingly, end of 2020, we decided to integrate our ESG analysts directly in our investment teams. In 2021, this new integrated structure allowed us to foster an even stronger collaboration between ESG and investment specialists. Additionally, in 2021, we further expanded our ESG team.

→ More about our ESG expertise on page 20.

Navigating external ESG ratings
In the context of a research project, we investigated why ESG ratings providers cannot agree on how to rate companies. These raters assess a number of different metrics, adding their own proprietary approach 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.

We have identified 10 challenges for ESG ratings:

1. ***Material factors***
   What ESG topics are looked into?
   What is considered a material issue?
2. ***Measurement***
   What metrics are scored for these material issues?
3. ***Data quality***
   What data sources are used for the metrics?
   How reliable are they?
4. ***Gaps treatment***
   How are data gaps treated? Penalized?
   Filled with averages?
5. ***Timing aspects***
   How often do raters rate? Reporting lag and back- ward looking data concerns
6. ***Rater bias***
   Raters' world view has latent influence on how metrics are interpreted
7. ***Weighting methodology***
   How are metrics aggregated into a score?
8. ***Controversy handling***
   What relevance / red-flag importance is given to controversies?
9. ***Benchmarking***
   Is the final rating based on a relative or absolute scoring?
10. ***Aggregation of ratings***
    Fund average score gives a false impression of wide score divergence

→ Learn more about these challenges and how to sail around them. Visit our website to read the complete whitepaper "Navigating ESG Ratings" and many more am.vontobel.com/en/insights/white-papers.

Below is one example of our ESG approaches developed and followed by our investment boutiques. Their approach supports their purpose, but also fits with their overall investment strategy. The systematic Impact Assessment approach described below is used by the Listed Impact Equities team. For more information about the other ESG approaches we offer, please refer to page 67.

Case study: systematic Impact Assessment by Listed Impact Equities team as one ESG approach example

The strategies invest in economic activities that capture the opportunities arising from long-term structural shifts such as growing population, increasing urbanization, or sustainable food and agriculture. Impact Pillars are defined and mapped to specific UN Sustainable Development Goals. The targeted companies provide products and services along the whole value chain, which have the potential to tackle today's pressing problems such as resource scarcity, environmental pollution and social issues.

For the identification of companies, the team applies a systematic impact strategy assessment, which consists in analysing whether portfolio companies' activities are aligned to the Impact Pillars, whether they support at least one of the SDGs and how they contribute to the predefined key performance indicators measured. Six criteria have been defined, and for each of them scores between +3 and -3 are assigned.

1. Management strategy
   major commitment to expand impactful activities—possibly combined with reduction of critical ones
2. Internal drivers for impactful products & services
   capex allocation, R&D budget or acquisitions may serve as indicators
3. External drivers for impactful products & services
   growth potential of end-market and possibly achievable profitability drives the score
4. Measuring and reporting key performance indicators (KPIs) on impact achievements
   what gets measured gets managed, often a driver for improvements in management and culture
5. Potential risks related to impactful activities
   such as policy or regulatory changes, customer preferences, technology risks or hurdles, and competitors
6. Potential risks related to non-impactful activities
   regulatory requirements or emission limits may lead to increasing costs, stranded assets or legacy liabilities

These six scores aggregate to an overall impact strategy score for each company, helping us to better understand the benefits as well as the potential risks, also relative to peers or similar industries. It can also be used as a guide for engagement on impact themes and an indication of potential non-financial risks to the strategy.

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.

Voting

Voting activities

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

Engagement

Direct engagements

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

Collaborative engagements

Our partnership with specialized stewardship service providers allows us to engage with other investors on ESG topics.

In certain cases, we may also collaborate directly with other investors.

→ More information about our voting and engagement activities on page 30.

Oversight

Risk management framework

Coverage of risks:

Investment risks	Non-investment risks
Market risk	Operational risk
Liquidity risk	Business risk
Counterparty risk	Legal risk
Performance risk	Compliance risk
ESG risk	

Covered by teams in the Investments Risk Management organization and by the Investment Control team.
Legal and compliance risks are monitored and controlled by the relevant teams, independently from Risk Management.

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.

Risk management governance
The governance of the risk management framework is ensured through two Group-level bodies, the Investment Performance Forum (chaired by the Head of Investments) and the Operational Risk Committee (chaired by the Vontobel Group Chief Financial Officer), 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 and the Investments Risk Meeting meets on a quarterly basis and the other committees meets monthly. Matters requiring escalation may be raised from any business unit committee to the appropriate Group-level committee (more details about these committees can be found on page 52).

This framework both ensures good risk management governance whilst retaining the necessary flexibility to respond to unanticipated events and emergencies, such as the market and economic crisis that was triggered by the Covid-19 pandemic in early 2020.

→ More information about how Vontobel Asset Management navigates such crises from a risk-management perspective is on page 62.

Investment Control framework

Pre-trade checks
Our portfolio management system allows us to check compliance with investment guidelines restrictions on a pre-trade basis. The investment guidelines comprise regulatory, client-driven restrictions and internal restrictions, including those that are ESG-related. The parameterization of the investment guidelines is carried out by the independent Investment Control unit. Portfolio managers can simulate trades and check each trade against restrictions, prior to placing orders, in order to prevent the occurrence of breaches. When submitting orders an automated check of the investment guidelines restrictions is performed, generating a warning to the portfolio managers, highlighting potential breaches that would materialize in case the orders would be executed.

Post-trade checks
The independent Investment Control team conducts a daily post-trade review of portfolios using our portfolio management system. Should Investment Control and the respective portfolio manager fail to agree whether a breach has actually occurred (e.g. in case of a different interpretation of regulatory investment restrictions), Compliance analyses the case and then informs Investment Control of its assessment, which then follows up accordingly.

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

Process mapping as a basis for the implementation of qualitative controls
In 2021 we initiated a project to document ESG-related processes in the business across all relevant activities. We have prioritised documenting how ESG research is conducted within investment teams and then integrated into investment decisions. Such process documentation provides a basis for risk management measures such as controls on processes that involve qualitative judgements (as opposed to processes aimed at comparing quantitative metrics against pre-defined thresholds or ranges).

We are also documenting ESG-related processes and controls for other areas of the business that could be exposed to greenwashing risk, such as the preparation of marketing materials and investment communications, pre-contractual disclosures, client reports and regulatory reports.

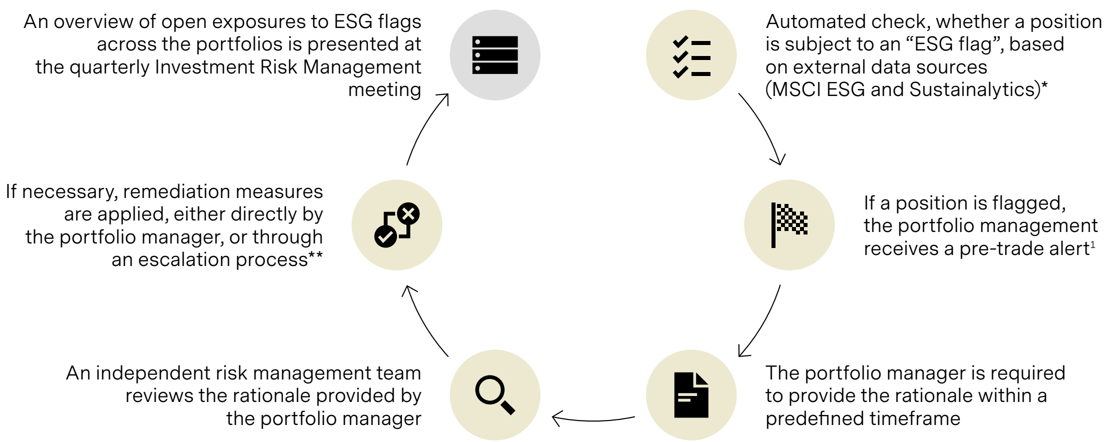
We expect this project to be completed by the end of 2022. Beyond the project horizon, the process business owners are responsible for updating the process documentation to reflect changes as their processes evolve. The business owners will also annually confirm that the process and control documentation is up to-date. This assurance will provide a transparent basis for the management of ESG risks throughout the business.

Specific ESG-risks and controls related processes

Monitoring of severe 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. To properly understand the impact of controversies, investment teams conduct their own research to assess their impact on the relevant portfolio and on wider stakeholders. In 2021 we have formalized our post-trade checks by implementing various "ESG flags" for controversies and breaches of international norms. Accordingly, the process described below (with the exception of the pre-trade alerts that occur in the second step, which will be activated in Q2 2022) was implemented in 2021.

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



* The ESG assessment methodology of such providers typically takes into account international norms, such as:
- UN Guiding Principles on Business and Human Rights,
- the OECD Guidelines for Multinational Enterprises,
- the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work,
- the ILO Core Conventions,
- and the UN Global Compact.

An ESG flag is only triggered when there is a severe violation of these international norms.

** Remediation measures can be for example:
selling of the position, active ownership measures, put issuer on a watchlist.

[1] Pre-trade alerts that occur in the second step will be activated in Q2 2022

Management of ESG risks as an integral part of the investment process

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 ,as explained starting from page 30, 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.

Also, when it comes to sustainability risks, we believe the tools used by the investment teams should be tailored to the investment strategies, asset classes, and geographies. The case study below is an example how sustainability risks are managed by one of our franchises.

Case study: Management of sustainability risks at mtx, a multidimensional approach

Identification and assessment of key sustainability risks

The mtx team identifies the ESG issues that are most relevant by sector and compiles them into sector papers. This research serves as the basis for the proprietary industry-specific “Minimum Standard Frameworks” (MSF), a framework to guide systematic qualitative and quantitative analyses of a potential investee’s key indicators, including sustainability risks. The assessment guides a deep evaluation of companies’ preparedness and performance on the 20 – 25 most important, sector specific ESG indicators.

Turn ESG noise into actionable insights

Each company in the portfolio is monitored by our ESG analysts. To do so, we do not rely solely on information provided directly by companies or sourced by a third-party ESG data provider. We also benefit from specialist artificial intelligence and machine learning tools that capture and evaluate close to real-time ESG news and so turning ESG noise into actionable insights.

Deep look into controversies

mtx applies an additional over-riding “Fail-Score” whereby a company fails the assessment on any sustainability indicator even if this company would otherwise attain a pass MSF score. These are typically given for high level controversies that pose a material risk to the ongoing outlook of the business or which pose a highly negative impact on society or the environment even where the business case is unaffected. To evaluate the application of an F score, a framework was designed to provide a clear decision tree to assess the severity of incidents. The finding leads to divestment or engagement.

Active ownership as a risk management tool

mtx’s analysts and portfolio managers directly engage with the management of companies on relevant topics as part of their research activities. These engagements address material ESG issues that might impact the company’s performance. Additionally, for areas flagged as key risks, we seek to understand the company’s plans to manage and mitigate them. Through these consultations, we encourage companies to improve their risk management practices and ESG disclosure. We reference specific areas of improvement where these are needed.

Transparency

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.

To ensure all of our client facing and support staff are well-informed, we run two three-day events each year called "AM Xchange" where our Portfolio Managers and Product Specialists present their latest thinking. In addition, we add regular training and communication calls and webinars whenever a significant number of clients want to know more about a particular issue. For example, in 2021, we held different webinars about the implications of the new sustainable finance related regulations in the European Union.

Our investors receive comprehensive information 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 2021, we have been involved in 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 2021, the product range for which we produce ESG product reporting has been enlarged again.

We have also actively worked on integrating additional 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 comparisons—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. For each strategy, a set of indicators are 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 Emissions" (PAE) together with ISS ESG..

→ The full Impact Report 2021 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. One of the challenges we face is that as reporting requirements for each client type, country and product become more detailed, the reporting documents can become less accessible to clients. For this reason, we will run a project during 2022 to ensure our reports meet a minimum standard of consistency across all Vontobel products.

→ More information about how we ensured proper communication with our clients during Covid-19 can be found on page 62.

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 am.vontobel.com/esg-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 represents 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.[1] Funds and mandates managed based on quantitative investment strategies are not covered by our voting policy, however, they may have a voting setup, in a comparable manner. 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 Asset Management 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 to the investment teams based on guidelines that have been reviewed and approved by Vontobel Asset Management. In some cases, and on specific topics, we may develop tailored proxy voting guidelines with the relevant proxy voting service providers, which provide specialized research on voting decisions.

In 2021, Vontobel was using three proxy voting service providers: Institutional Shareholder Services, Inc. (ISS), Ethos Services SA (Ethos) and EOS at Federated Hermes (EOS). These service providers are used depending on the focus and active ownership approach of the strategies. For instance, Ethos has been selected for its expertise on the Swiss market and is thus used for our funds that have a focus on Swiss equities. ISS allows us to tailor voting policies, a service we use for our Quality Growth strategies.

End of 2021, we reviewed our provider pool for active ownership services. More information about the changes can be found on page 33.

Voting process
When selecting a voting service provider, we pay particular attention to the voting principles they follow. With this approach, the vote recommendations we receive reflect the convictions of the respective investment strategies. Our portfolio managers and analysts can receive alerts of forthcoming shareholder meetings together with the voting recommendations provided by the engaged proxy voting advisors. Portfolio managers and analysts review the voting recommendations and if they agree with them, no action is required and Vontobel votes accordingly. In certain cases, they may have a different opinion, for example if the standard recommendation does not match their in-depth knowledge of the company in question and its management, which may have been gained in the context of engagement activities. The portfolio manager can change the vote on an item on the agenda, with appropriate documentation, thus providing justification for any choices that deviate from those recommended by the engaged proxy-voting service provider. The overruling process is described in our voting policy. This process ensures that we execute our voting obligations and make decisions in the interests of our clients. The respective management company 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 57.

[1] As most of our managed assets are under external custody, we closely collaborate with the external custodians to setup proxy voting. As part of this process, we clarify with the custodian if there is a stock lending process in place and if there is a potential impact on the proxy voting.

Clients' needs related to voting are analysed on a case-by-case basis. For segregated accounts, clients may have their own voting setup and directly exercise voting rights for listed equities. Alternatively, clients might delegate voting to Vontobel Asset Management, so that we exercise voting rights on behalf of the clients. The conditions related to these activities will be contractually agreed with the client. For our mutual funds, we do not accommodate stock lending for our mutual funds.

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

Direct engagement activities
As part of their fundamental research activities, our anaysts 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 38.

Collaborative engagement activities
In addition to direct engagement activities, for certain strategies, we also partner with service provider. We see many advantages in working with a partner on voting and engagement. By pooling the assets in an engagement partner tool, we reach the scale that is necessary to be present and visible towards management teams and boards in dialogues and engagement activities. This enables us to exert greater influence than our own investment volume would allow. At the same time, it allows us to target a broader range of companies as we have access to more resources. Additionally, it facilitates our collaboration with other investors.

These engagement service providers typically report their progress on engagements by a series of milestones, marking events such as companies acknowledging the issue, committing to making improvements, and implementing the improvements. This progress is tracked based on objectives set beforehand. Insights gained out of these engagements may be factored in our research process.

Until end of 2021, we partnered with EOS at Federated Hermes, a service provider specialized in engaging with investee companies via objectives-driven and continuous dialogue on ESG issues. We were looking to extend the use of our engagement partnerships to additional strategies and asset classes, especially fixed income portfolios, which was unfortunately not possible with EOS. As the services were not meeting our evolving needs anymore, we looked for another service provider. We conducted a due diligence on seven service providers and paid particular attention to the coverage of our portfolios and the quality of services delivered. As part of the criteria for assessing the quality of the services, we looked among others at the depth of the engagement activities, the processes used (objectives setting, progress tracking) and the reporting offered. The outcome of the due diligence process was the choice of reo® as our new partner; reo® is a service that allows investors to receive market-leading corporate engagement on equity and corporate bond holdings, and proxy voting services with a 20+ years track record. In 2020, reo® conducted 1,541 engagement activities with 760 different companies in 50 different countries.[1]

In some cases, we may also join forces with other investors and organisations directly. Some cases can be found under our featured engagement examples starting from page 40.

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.

[1] Our relationship with reo® started in December 2021. The engagement activities disclosed on page 39 do not reflect the engagement activities conducted by reo® in 2021.

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 an active ownership partner, a provider specialized 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 specialist resources and experience. An additional major benefit is that the provider will establish a long-term engagement plan with objectives and milestones and this persists irrespective of investment inflows and outflows by the provider's 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 our partner leveraging internal expertise within the team. The medium and long-term aim of voting and active engagement 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 a sustainable economy, society and 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 environmental and social 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 follow the company's improvements of these key indicators, especially towards their set goals. If necessary, we make recommendations on specific topics, i.e. improve their risk management practices and ESG disclosure on their products impact over their entire life cycle.

Fixed Income Boutique
We at the Fixed Income Boutique consider engagement to be an important element of our investment activities. More specifically, 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 fac- tors are concerned, bond issuance is more like a take it or leave it offer, i.e. price can be negotiated during book build- ing, 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.

TwentyFour Asset Management[1]

At TwentyFour Asset Management, we take our stewardship responsibilities seriously and look to always act in the best interests of our clients. We conduct a significant amount of due diligence on issuers with whom we invest, which enables us to avoid companies we believe do not meet our high standards in strategy, performance and/or ESG factors. As fixed income investors we do not have votes at companies' Annual General Meetings, but this does not prevent us from engaging on behalf of our clients when we feel this is appropriate and we do not engage the services of third parties for any aspect of our engagement. As fixed income investors we do manage 'corporate actions' such as consenting or not to repurchase offers, bond exchanges and covenant modifications, among other matters.

The general principles of our engagements are not fund or geography specific. As global fixed income markets are large, diverse and complex, we need to retain a dynamic approach to serving our clients' needs. In general, we will engage on any topic as and when we feel it is in our clients' interests and do so in the manner described below. We do not currently see the value in 'mass mailing' issuers as we believe targeted approaches are more effective. Having said that, we have had and continue to have some more specific 'project' type engagements. For example, the filling out of our portfolios' CO_2 intensity data. Another example is the work that our ABS team is currently involved in to encourage CLO issuers to make their loan pools in line with our Sustainable screen. The ABS team is also making representations to sponsors of securitised deals to include various environmental data points as part of their reporting process.

Investment or ESG issues can arise, however, post-investment, and where we are concerned about specific matters such as governance, management or treatment of bondholders, the portfolio managers will engage with the appropriate senior management or board member of the company involved. Within our proprietary ESG model, housed in our Observatory portfolio management system, we have a template which enables portfolio managers to log any company engagement by the following steps: Nature of the issue of concern, Desired outcome, Engagement, Response, Action / outcome.

[1] TwentyFour Asset Management is a specialist fixed income firm based in London and New York, and an independent operating subsidiary of Vontobel. TwentyFour Asset Management is a signatory of the UK Stewardship Code 2020. More information about TwentyFour Asset Management's approach to ESG and Stewardship can be found under twentyfouram.com/responsible-investment.

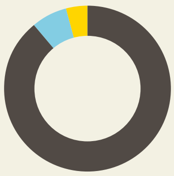
Voting Highlights 2021

1,777 meetings

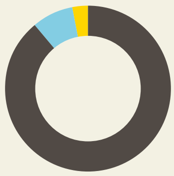
In 2021, we submitted votes at 1,777 meetings, for companies based in different regions, whereby the largest part were based in North America and in Europe. In 89 % of voting items we voted “For”, and The remaining 11% were voted either “Against”, “Abstain”, “Withhold”, “One Year” or “Split”. 88% of voting items were cast with management. The remaining 12% were either cast against management, voted split, or no recommendations from the management nor votes were expressed.

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

Vote Cast[1]

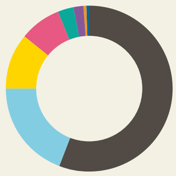


For	89%
Against	7%
Other (Abstain, One Year, Withhold, Split)	4%



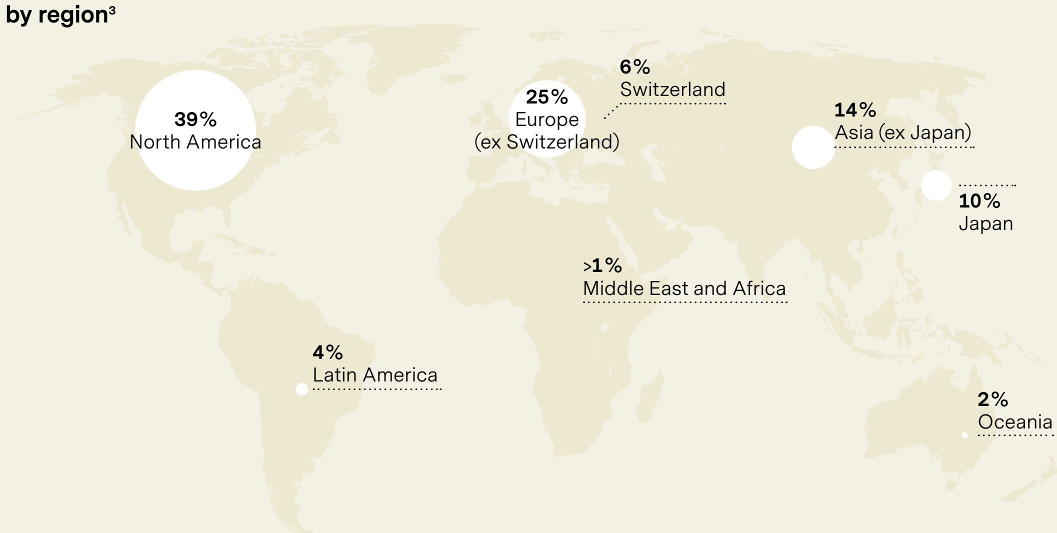
Vote with management	88%
Vote against management	8%
Other[2]	3%

Vote by topic[1]



Directors Related	56%
Routine / Business	19%
Non-Salary Compensation	11%
Capitalization	8%
Shareholder proposals	3%
Reorganisations and mergers	2%
Antitakeover Related	>1%
Other/Miscellaneous	>1%

Vote by region[3]



[1] Expressed as per voting item
[2] Item withdrawn, management didn’t express any recommendation, did not express a vote, split vote.
[3] Expressed as per number of meeting, based on the companies’ headquarters.

Scope of the voting statistics: Vontobel funds where Vontobel Asset Management is the Management Company, Investment Manager and Sponsor. White Label funds are excluded from the statistics. More information about the funds can be found under am.vontobel.com/vontobel-funds.

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

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

Quality Growth
Quality Growth voting policy recommends separating the roles of Chair of the Board and CEO and will vote against the re-election of Chair when an individual holds both roles. However, in certain circumstances we may vote against policy if we believe there is a strong case to support this. In one instance in 2021, with a US health care company, we did agree to support the executive's continued position as both CEO and Chairman. The individual has served in this capacity for a long period of time with a very positive outcome for shareholders. However, we did communicate our stance and encouraged the company to work towards splitting the roles in the future. The proposed re-election of the Chair was passed at the Annual General Meeting in May 2021.

Another topic is related to compensation. We believe share-based compensation can create an alignment of interest with shareholders, if well structured. Through periods of underperformance, at times, boards may elect to adjust awards so that the executives are minimally impacted by weak share price performance. These adjustments, however, tend to create a win-win scenario for the managers by reducing the variability of the compensation. These adjustments effectively reduce the alignment of interests with shareholders. With one large US company there was a proposal to adjust compensation targets for the Covid-related impacts. Without the adjustment management would not have been able to fully earn payouts established in 2018. While it is understandable that Covid was an extraordinary event outside the control of management, external risks will always be a factor in the payout of performance related compensation. We voted against this proposal at the AGM in June 2021. The resolution was passed by shareholders. We will continue to take a stand against actions we believe act against the interests of long-term shareholders.

mtx strategies
As part of our efforts to improve governance practices we pay great attention to a board's composition and quality. We look at indicators such as, but not limited to 1) diversity, 2) long tenure or overboarded board members 3) competence & expertise and, 3) independence. In 2021, out of 150 meetings voted by mtx, 84 meetings presented director-related items of which 38 (or 45 % of the meetings with related items) were voted against management due to at least one of the topics listed above. For example in 2021, as part of our collaborative engagement efforts we have taken the opportunity to signal to an insurance company based in Asia the importance of gender diversity to a more well-balanced board. Especially, holding the company accountable for its commitment to the 30 % Club initiative which seeks a minimum a 30 % female representation on all levels of the organization. Together with our external stewardship partner we have sent a signal by voting against the executive chair of the nomination committee at the Annual General Meeting in 2021. The initiative resulted in a total of 8 % shareholder dissent against the director in question. In the course of 2021, the company added a new female independent director, increasing gender diversity to close to 20 %.

Listed Impact strategies
Our investment strategy focuses on Listed Impact equities. Last year we introduced more structured assessment and documentation of each company's strategy relevant to their impactful businesses and services. One of the assessment criteria is linked to the management strategy. We analyse the major commitment to expand impactful activities—possibly combined with reduction of critical ones. One key aspect in this context is the executive compensation and how it is linked to achieving certain impact and sustainability objectives. In 2021, there were 29 company AGMs where we voted against the management on agenda items that showed an apparent failure to link pay and appropriate sustainability performance. A letter was written by our stewardship partner, who represented us together with a group of shareholders, to LKQ Corp. to highlight the rationale behind our voting decision. Through this letter, we expressed our concerns and why incorporating meaningful sustainability targets within executive pay schemes is a powerful way to communicate about priorities, both internally and externally. The expressed preference is for strategically important metrics to be included in the pay scheme.

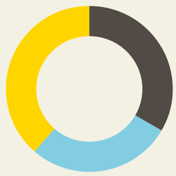
Engagement Highlights 2021

122 companies

In 2021, we engaged with 124 companies, on different topics, either directly or indirectly using the services of our engagement partner. For 47 of these companies, we conducted at least fact-finding engagement activities, for example through questionnaires. An example can be found on page 48.

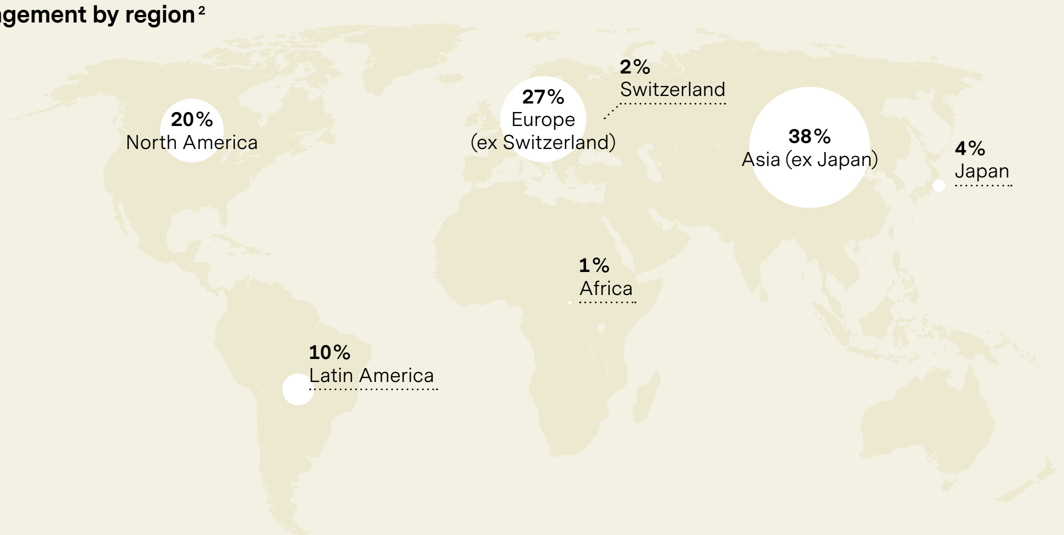
We engaged mostly with companies based in Asia, Europe and North America. Governance issues were the biggest concerns.

Engagement by theme



Environmental	33%
Social	28%
Governance	38%

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 and the Fixed Income boutique.
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 and EOS at Federated Hermes.

Protection of one of the largest barrier reefs in the world

Engager
Fixed Income Boutique: Emerging Markets team

Issuer
Belize (sovereign issuer)

Engagement type
Collaborative engagement, with the Belize creditor group, which included among others GMO, ABRDN and Greylock Capital. Another organization was the engagement lead.

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

Rationale and context
Belize is a sovereign nation in the Caribbean and Central American region with a population of ~420,000 people. The country was already highly indebted before the Covid-crisis and is considered a serial defaulter, having restructured its public debt in 2007, 2013 and 2017. Belize is also highly dependent on tourism, which represents ~40 % of its total exports. The country's main tourist attractions are its pristine beaches and coral reefs. In fact, Belize hosts one of the largest sections of the Mesoamerican Barrier Reef System, one of the largest reef systems in the world (1,125 km long). Given the country's high tourism dependence and high indebtedness, it's not surprising that the sovereign attempted to restructure its debts once again in 2021.

However, as in previous occasions, the sovereign refused to engage in an IMF program to restore its debt sustainability and creditors did not want to bear the costs of systemically irresponsible fiscal policies of the country once again. This led to a creative and very positive solution: a buyback of the sovereign's USD 526.5 million only bond at 55 cents on the dollar funded by the Nature Conservancy under the condition that the government will fund a USD 23.4 million marine conservation trust to help protect the Mesoamerican Barrier Reef.

Engagement's objective
To restructure Belize's only sovereign eurobond and seeking to obtain the highest possible recovery value for our clients while simultaneously including a sustainability enhancing element in the deal. Furthermore, trying to make this restructuring a permanent solution given the context of recurrent restructurings by the sovereign.

Methods of engagement
We engaged via calls and email exchanges and through statements to the media to incentivize other bondholders to support the initiative.

Engagement process and outcomes
In May 2021, we held a call with a representative of the creditors' committee where we were informed that some creditors in the committee wanted to include an environmental sustainability element in the restructuring. We expressed our support and interest to participate in such a solution as we thought it could also contribute to finding a permanent solution to Belize's debt burden.

In September 2021, we were informed of the specific financial conditions of a potential buyback of Belize's eurobond by a US conservation agency at 55 cents on the dollar conditional on the government's commitment to invest USD23.4 million in the protection of the largest marine reef in the country. The environmental part of the deal was presented as a sweetener for the deal considering that the recovery value was lower than expected and considerably lower than in the three previous Belize restructurings. We held a significant portion of the bond, so our participation was essential for the deal to go through. Despite the recovery value being relatively low, we keenly accepted to participate in the deal because we thought it offered a significant contribution to the global marine preservation. Also on this occasion, we expressed our position in the media.

Belize successfully repurchased its 2034 eurobond at 55 cents on the dollar (including past due interest) and committed to invest USD 23.4 million to protect the Mesoamerican marine reef protecting approximately 30 % of the country's ocean. More information regarding the deal and environmental achievements can be found under nature.org.

Improving corporate governance to regain investors' confidence

Engager
Fixed Income Boutique: Emerging Markets team

Issuer
A large textile manufacturer in Indonesia

Engagement type
Collaborative engagement, with other bondholders. We were the engagement lead.

Topic
Governance: Investor rights
Strategy, Financial and Reporting: Capital allocation

Rationale and context
The company is one of Indonesia's largest listed textile manufacturers, mainly focusing on exports to the US, Europe and Asia. It was established over 40 years ago and has been listed on the Indonesian Exchange IDX since 1990. Covid 19 exacerbated the company's financial situation starting in the first half of 2020 after another Indonesian textile company went into restructuring a year earlier in the summer of 2019. Downgrades by rating agencies in April 2020 triggered several banks to suspend their LC facilities, creating significant issues for their access to working capital financing.

Engagement's objective
The objective was to use the restructuring as part of the negotiation to improve corporate governance in regard to Rights and Equitable Treatment of Stakeholders, and to enhance the structure of the notes, in particular with focus on growth rather than de-leveraging in hope for a better return profile for its equity shareholders.

Methods of engagement
We engaged via email exchange and most importantly in direct discussions with the company and its advisors.

Engagement process and outcomes
The company appointed advisors in November 2020 and subsequently entered into restructuring discussions. We have been in direct discussions with the management team and its advisors. As a proactive member of the bondholders' group, we helped shape terms for the new restructured notes via a scheme of arrangement and asked for bondholder friendly structures that would improve its business profile and protect the downside of our investment.

Through our active engagement with the management team, we have marginally improved the structure of the new restructured notes such as having reasonable limitation on permitted liens and setting up a new cash account management agreement where a third party, appointed by the creditors will monitor how cash is being used by the company which will vastly improve the issue of corporate governance for bondholders. There is also a requirement for the company's commitment to inject equity and we pushed for an Event of Default clause with a long-stop date for this injection to happen within a reasonable time frame, which could further provide certainty and visibility for bondholders. These may not be the best restructuring terms based on the market standard for Asia but it is the best we could get from similar restructurings in the same sector in Indonesia. We have pushed for the most reasonable terms that all parties can accept and this is an important step for the company to improve its ways of doing business post restructuring through this negotiation process with us.

Next steps
We will discuss in parallel with the bondholders' group and the company on an ongoing weekly basis in order to achieve acceptable adjustments to the restructuring plan. With a small group of four members in the bondholders' group and being proactive in the conversation, we aim to find the best restructuring outcome for all stakeholders.

Understand progress on change of risk culture

Engager
Fixed Income Boutique: Corporate Credit team

Issuer
Large financial institution in the US

Engagement type
Engagement conducted directly by the investment team

Topic
Social: Conduct, culture and ethics
Governance: Board effectiveness

Rationale and context
We decided to engage with the issuer, a large financial institution in the US, as it is involved in various issues around corporate governance with the main event being the unauthorized account openings for clients over several years. When this became public, we also flagged this issue at the time and the reaction from the US Federal Reserve (as the relevant regulatory authority) was quite severe: the asset cap introduced has not been lifted since. As the issue continued to drag on longer than expected, a deep-dive analysis has been performed by the ESG analyst. The deep-dive assessment was negative and an engagement was recommended.

Based on our ESG Risk Integration Framework the issuer was still flagged due to UN Global Compact violation of principle 10 anti-corruption / bribery and had severe controversies related to products.

Engagement's objective
The issuer reported on the following areas:

- New management team: out of the 18-member senior people team, nine were hired from outside the company,
- Implement risk and control culture a "top priority",
- Adopted "Corporate Governance Guidelines",
- Contacted equity owners (around 35 % of outstanding share capital) to discuss governance.

The objective was to understand the progress on risk culture among others and to highlight the concern around this topic from our perspective as a potential investor in their bonds.

Methods of engagement
We contacted the investor relations team via e-mail.

Engagement process and outcomes
On 23 November 2021, we contacted investor relations via e-mail on the following topics:

- Effectiveness of actions taken to improve corporate governance, compliance and risk management practice and time to complete the implementation.
- Details on the progress of the ongoing investigations and Fed asset cap, such as expected timeline.
- Realized and expected impact on earnings and costs related to the unauthorized account openings.
- Update on the change in risk culture within the issuer and their employees.

We received feedback to our e-mail on the next day. On 24 November 2021, the investor relations got back to us quickly and added a link to the publicly available information in the Proxy Statement and the ESG Report. However, they could not share more insights due to the restrictions under the Confidential Supervisory Information. We understand that the company is partly restricted in their communication and we appreciate the fast and comprehensive answer to our request.

Next steps
As the above issue is not yet solved, we will need to keep the engagement with the issuer in place and follow up with the company on a regular basis (e.g., after the next earnings release or any release of new information).

Address product misuse exposure

Engager
Sustainable Equities: Listed Impact Equities team

Issuer
Deere & Company: a US manufacturer of agriculture and construction machinery

Engagement type
Engagement conducted directly by the investment team

Topic
Environment: Natural resource use / impact
Social: Conduct, culture and ethics
Social: Human and labour rights (e.g. supply chain rights, community relations)

Rationale and context
Deere & Company is an American corporation that manufactures agricultural machinery. Their equipment helps their customers meet the world's growing food and infrastructure needs. Precision technologies enable farmers to be more efficient and less intensive on soil, water and air. On a social angle Deere has donated approximately USD 37 million, empowering smallholder farmers and local communities in developing markets.

Prior to meeting the company, we noticed that Deere was exposed to product misuse in various industries and had not communicated its strategy to prevent unethical practices.

Engagement's objective
We wanted to address the potential misuse of its equipment from clients.

Deforestation
What is the impact of the construction business on deforestation mainly in Brazil and Indonesia?

Military
Their website showcases Deere's current contracts; we have noticed that some of the clients include the military and first responders, can you enlighten us on the extent of your partnership?

Cotton-picking
We understand that there are serious issues around forced labour in Xinjiang. Your technology enables a more efficient picking process, but we want to ensure that it does not involve any forced labour. Could you walk us through your current understanding of the situation and inform us on your strategy to prevent such practices?

Biodiversity
The use of heavy machinery has a negative impact on soil compaction and biodiversity, how does Deere tackle this issue?

Methods of engagement
We held direct discussion with Deere via video conference calls and e-mails.

Engagement process and outcomes
As Deere provides products to many different markets, we need to consider its exposure to potential unethical practices. Our objective was to understand how the company mitigates its risk against the potential misuse of equipment.

Deforestation
Deere & Company has strict policies around deforestation in our forestry business. Most importantly, we are responsible for sales to end users in Brazil. As a result, we know who we are selling machines to and where they operate. We do not have a facility in the Amazon region nor are we involved with forestry dealers there and we do not provide service in that region. We do not sell to legal or certified logging operations in the region. The machines we sell in the country are operating strictly within planted forests. However, we do have a construction dealer in the Amazon area with branches in Natal (Para State) and Manaus (Amazon State). They carry most of our construction portfolio. The policy for them is not to sell for deforestation purposes. We have been very clear on our communication to our construction dealers that they are not allowed to sell any piece of construction or forestry equipment to be used in deforestation activities, unless it is for "vegetal suppression" in projects that have been approved by serious environmental agencies in Brazil like IBAMA. We also have a clause in our distribution agreement that informs the dealer that they cannot sell products to native forests deforestation activities.

Cotton picking
Through mechanization of cotton harvesting, the need for manual picking is reduced (if not eliminated entirely). We also have strong stance on forced labour. We do not use or condone the use of forced or involuntary labor. In fact, as mentioned, mechanisation has reduced or virtually eliminated physically difficult and dangerous manual work. Deere has fully complied with all sanctions and has stopped selling new, whole-good equipment to sanctioned customers. Furthermore, we do not directly source supplies from Xinjiang, nor do we use forced Uighur labour anywhere in our supply chain

Military
To date, most military sales are utility vehicles to support functions and first responders. It is worth noting, machines do not leave our factories weaponised.

Biodiversity
Soil health is increasingly important and we are working on solutions for our customers. Compaction is an issue we are aware of and are addressing this through many different technologies. Additionally, we are spending more time on soil health in two ways:

- Soil sensing (using real time sensors in order to understand soil make up, moisture and carbon.
- Practices which drive increase biodiversity and organic matter (one of which is sequestering carbon through changing practices and being able to document the changes and impacts).

Next steps
We strongly encourage Deere's continuous environmental and social efforts. We will continue to monitor the company's sustainability reports and track its KPIs progress through our yearly engagement letter. Furthermore, we will uphold our one-to-one meetings with the company when necessary and take into account potential upgrades or downgrades of ratings on MSCI ESG or upcoming controversial issues. Our engagement with Deere continues through 2022.

Support of affordable housing from the banking sector

Engager
Sustainable Equities: Listed Impact Equities team

Issuer
A financial institution in North America

Engagement type
Engagement conducted directly by the investment team

Topic
Environment: Climate change
Social: Inequality

Rationale and context
Bank of Montreal is a responsible bank, aligned mainly with SDG 13 (climate action), SDG 12 (responsible production and consumption), SDG 5 (gender equality) and SDG 1 (no poverty) based on our own assessment model.

It is one of the few global banks to be a signatory of the United Nations Principles for Responsible Banking (UN PRB), the Net-Zero Banking Alliance (NZBA), the Partnership for Carbon Accounting Financials (PCAF) and the Equator principles. It is a leader in corporate banking / investment banking services, allowing its corporate clients to finance projects for the transition to a lower carbon economy (e.g. issuance of green bonds). The bank has set clear sustainable finance target such as mobilizing $400bn for sustainable projects. In addition to climate related themes, it has clear targets in terms of financial inclusion (gender and Aboriginal groups).

Their personal and commercial (P&C) banking division is a leading player in the Canadian mortgage industry.

Engagement's objective
We consider Bank of Montreal to be a leader in climate and inclusion finance. As to the mortgage industry we see parts of the population struggling with affordability issues. We asked them to set clear targets for its mortgage business in terms of financing affordable housing.

Methods of engagement
One-on-one video conference and emails.

Engagement process and outcomes
During our video conference with the company on 21 July 2021 and a follow up email we covered various strategic and impact issues, including the rise of the housing market in Canada and the importance of affordable housing. We asked the company about clear targets in this area.

Following our engagement, on 5 August 2021, the bank announced a USD 12 billion commitment to finance affordable housing over a ten-year period, including commitments to increase access to quality housing for indigenous communities. The bank plans to finance clients to develop, refurbish or maintain affordable housing, social housing, community housing, shelters and housing for vulnerable populations. The bank's commitment will also support the financing of affordable housing and infrastructure projects that increase access to housing and promote economic development for indigenous peoples, both on and off-reserve. The bank will work with Canada's authority on housing, CMHC contributes to the stability of the housing market and financial system, provides support for Canadians in housing need, and offers unbiased housing research and advice to all levels of Canadian government, consumers and the housing industry. CMHC's aim is that by 2030, everyone in Canada has a home they can afford, and that meets their needs.

The Head of IR sent us an email informing us about this development. Prior to our engagement the bank had no target and no data to track its impact in terms of exposure to affordable housing. In our view, we see an engagement success: the bank has recognized the role it can play in this regard, it has set a clear target and will report progress in due course.

Next steps
Monitor the implementation of various SDG related targets.

Raising the bar on material ESG disclosure

Engager
Sustainable Equities: mtx team

Issuer
Mobile manufacturing company based in China

Engagement type
Engagement conducted directly by the investment team

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

Rationale and context
One part of mtx's engagement efforts in emerging countries and, more specifically, China, , has been increasing the level of disclosure of ESG material topics. Although we have seen a surge in disclosure among companies in China's domestic market, companies disclosing still represent 24% to 28% of the China A-shares universe.

It is our belief that disclosure does not determine companies' ESG performance. We focus on their ability to manage ESG material risks relevant to their business activities that may impact future cash flows. However, the sustainability landscape, especially in emerging markets, is still a mix of voluntary and regulatory disclosures and investors can steer the conversation to what is materially important to companies' business activities.

For instance, we started a dialogue with a mobile manufacturing company based in China as part of our due diligence ESG process. Although our research showed signs of certified operations in areas such as data protection, environmental management, and health and safety, we found that its transparency on key areas of concern was suboptimal, partly given its relatively short history of public listing.

Engagement's objective
We reached out to the company with two main objectives:

- understand the robustness of its key material issues related to its operations such as supply chain due-diligence, ethical sourcing of raw materials, and business ethics; and
- encourage the company to improve ESG disclosures on those topics.

Methods of engagement
Call, e-mails and discussions via local messaging platform.

Engagement process and outcomes
In 2021, we raised our concerns to Investors Relations. Besides providing us with insights on its current processes for the above topics, the company also shared that it had started on the journey to map its performance on ESG topics and improve disclosure, expressing the desire to continue the dialogue with us on global standards and best practices.

In the context of the preparation of their upcoming periodic disclosures, the company approached us for suggestions on the breadth and depth of ESG disclosures for their upcoming ESG report, which will be published in April 2022. We revisited the material ESG issues together with the company and suggested detailed disclosure on environmental policy and e-waste treatment, employee relations policy, supply chain due-diligence process, ESG-linked KPIs, and supplementary data to illustrate the effectiveness of its control processes.

Through the different touchpoints we were able to:

- communicate to the company key risk areas deemed material to its ESG performance; and
- collaborate with the company on its journey for better ESG disclosure practices.

Next steps
We wait for the company's ESG report to be published to continue the dialogue on the company's performance of key ESG material topics.

Minors’ protection in gaming

Engager:
Sustainable Equities: mtx team

Issuer
Several companies in the gaming industry, across emerging markets

Engagement type
Engagement conducted directly by the investment team, and collaborative engagement activities conducted by the stewardship partner

Topic
Social: Public health
(product’s social implications and governance)

Rationale and context
Video game addiction has become a topic globally in the past years. Studies have found that about 3 – 4 % of people are addicted to video games, globally. In fact, in 2019, the World Health Organization (WHO) officially classified the term “gaming disorder” to describe addiction to playing video games.

For minors, some studies suggest that one out of ten youths (ages 8 – 18) show signs of gaming disorder.

As a result of several regulatory updates, we have seen China implement several restricting measures for online gaming, especially focused on the under-aged user.

In 2021, mtx conducted a detailed review of the gaming content of gaming companies in which we are invested, with a focus on excessively violent games that could be deemed to “glorify violence”. This was a concerted action between direct and collaborative engagement (executed by our stewardship partner).

We started a dialogue with several companies in our portfolio to emphasize our focus on minor protection in gaming as part of responsible product governance.

Engagement’s objective
We were specifically focused on

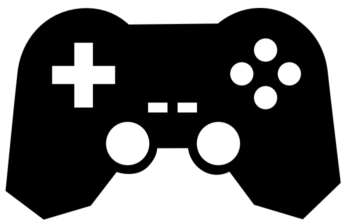
- mechanisms in place to tackle issues from overuse or inappropriate content;
- enhancing the welfare of your user community; and finally,
- company preparedness for current and future regulatory updates on this area.

Methods of engagement
Group calls.

Engagement process and outcomes
One company assured us it has taken several actions to prevent underage misuse such as monitoring user behaviour; applying tailored and lighter monetization models for younger users; using IDs to identify user age, among other measures.

Another company started upgrading its control systems, which target responsible teenage gaming by monitoring play time of minors. As a result, several of its games couldn’t pass its new controls and are to be removed from the market. As a result of our detailed review and dialogue with companies we have updated our policy to reflect responsive gaming considerations more thoroughly in our Minimum Standards Frameworks (MSF).[1] Additionally, we will use these insights and integrate it in our ESG approaches.

Next steps
Responsible gaming practices considering minors will remain a topic for the industry and society needing both a regulatory push and investors’ action. Followed by China’s actions, several other governments have started to consider the impact of online gaming on minors’ mental health in their own jurisdictions. We will continue to monitor our exposure to this topic and engage where appropriate.



[1] More information about the MSF can be found on page 27.

Inquiry for more quantitative impact data

Engager
Sustainable Equities: Listed Impact Equities team

Issuer
All portfolio holdings of the franchise

Engagement type
Engagement conducted directly by the investment team

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

Rationale and context
All business activities have an effect on environmental and social factors, some positive, many negative. Not giving enough attention to, or even ignoring the effects of these activities has led to enormous environmental challenges such as climate change, depletion of resources, loss of biodiversity, growing and ageing population.

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. Wherever possible, we rely on reported data from the portfolio holdings. This includes annual reports, CSR reports, websites or other investor information. However, this information may not be sufficient.

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. It allows us to measure the benefits attributable to our investment solutions.

Engagement's objective
We were specifically focused on

- requesting additional data for our own analysis and reports and
- motivating companies to measure and publicly disclose the required data and indicators.

Methods of engagement
A letter explaining our needs, comprising last year's impact report plus a list with possible KPIs was emailed to all portfolio holdings.

Engagement process and outcomes
We reached out to the portfolio holdings via letter to inquire more quantitative impact data. The new element for this year's round was the integration of social KPIs for the reporting of our newly launched broad listed impact strategy, that pursues not only environmental but also social objectives.

On the environmental indicators side, 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 Fund was invested as of 30 June 2021. We aimed to obtain the most recent environmental data. Over 90% of the data was based on the fiscal year 2020 or end of March 2021. 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.

On the social side, one of the challenges was for us to find reasonable social impact indicators for the stocks contributing to our social impact pillars. It is more demanding to find indicators that can easily be aggregated as on the environmental side, where kWh of energy production or m3 of water recycling or savings are common metrics for many activities. Additionally, we observe that while on the environmental side, certain standards are established in reporting practices, disclosing social indicators remains very heterogenous. It was the first time we collected social indicators data, as the corresponding investment strategy was just launched in April 2021. Accordingly, we did not apply a systematic process, as for the environmental indicators and we decided to conduct interviews or individual e-mail correspondence with the investee companies the funds was invested in as of September 30, 2021. The interviews took place through video conferences and allowed us to collect data from 23 investee companies in the social area. All data points were based on the fiscal year 2020 or end of March 2021.

Sending our KPI request letter is a great opportunity to start a conversation and instruct companies in gathering the right environmental data. This goes hand in hand with new ESG disclosure regulations required in various countries. (e.g., the EU's Corporate Sustainability Reporting Directive, CSRD). The interviews and e-mail contacts allowed us to have an open and educational exchange with investee companies on social indicators data. With this approach, we believe the data quality will improve over time.

More information about the inquired data, including the main assumptions made to translate the given KPIs and tangible equivalents, can be found in the Impact Reports on our website.

Next steps
We will renew this process this year. On the social indicators side, we will introduce a concise questionnaire as we do for environmental indicators.

IMPACT INDICATORS	NUMBER OF REPORTING COMPANIES
Environmental indicators	
Carbon footprint (tons of CO2, Scope 1 & 2)	62
Carbon footprint (tons of CO2, Scope 3)	62
Avoided carbon emissions (tons of CO2)	27
Renewable energy generated (GWh)	16
Annual renewable capacity installed (MW)	11
Drinking Water provided (millions m3)	7
Waste water treated (millions m3)	4
Water recycled and/or saved (millions m3)	20
Eco-friendly passengers transported (million passenger-km)	1
Cargo/passenger transport by rail (million passenger-km)	5
Waste managed as a service (tons)	2
Materials captured for circular economy (tons)	47
Renewable / recovered energy use in production (GWh)	47
Eco-labeled, eco-friendly products (% of revenues on average)	24
Biodiversity solutions (number of species saved)	1
Social indicators	
Number of beneficiaries of affordable solutions (millions of people)	7
Number of patients reached (millions of people)	9
Research & Development spending (as % of sales)	12
Total number of students or readers reached (in millions of people)	3
Total number of students from low-income background (in millions of people)	2
Total number of women empowerment solutions (in millions of women)	1
Business activities that help to create jobs (in millions of jobs)	1
Loans to minority or female businesses (in million EUR)	2
Underbanked people served (in millions of people)	3
Food produced sustainably (in millions of tons of food produce)	1

Appendix

Appendix 1

Further ESG and Stewardship processes

Further ESG and Stewardship processes
In this section, we describe further processes, related to our ESG and Stewardship activities. The information mentioned below may be related to the UK Stewardship Code reporting requirements.[1]

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 interconnected. For this reason, Vontobel is committed to the continuous optimization of sustainable business management in all our divisions in the long term.

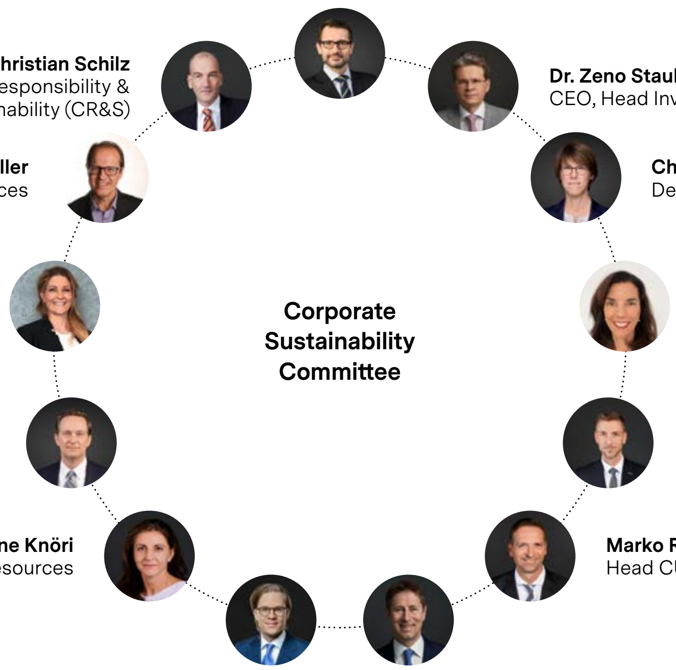
Corporate Sustainability Committee

Level
Vontobel group

Purpose and responsibilities
- Act on behalf of the Global Executive Board (EB)
- Develop the company-wide sustainability positioning/strategy
- Coordinate, approve and monitor its implementation, including ESG goals of the business plans of the client units (CUs)
- Define go-to-market and overall ESG offering
- Govern the ESG offering and product framework and provide direction to the client units on implementation
- Overarching ESG strategic & operational tasks
- Monitor regulatory implementation in the client units
- Discuss and approve sustainability risk appetite statement and related KPIs

Meeting frequency
On a quarterly basis

Members
- Investments representatives: CEO / Head Investments, Deputy Head Investments, Chair ESG Investment Forum, Head Business Management Structured Solutions and Treasury
- Client Units representatives: Head Client Unit Asset Management, Head Wealth Management, Head Digital Investing
- Centers of Excellence representatives: Corporate Responsibility & Sustainability, Infrastructure & Services, Legal & Compliance, Marketing & Analytics, Human Resources



[1] More information about the UK Stewardship Code principles can be found on page 76.

ESG Investment Forum

Level
Asset Management

Purpose and responsibilities
- Define the ESG product strategy for the investment boutiques
- Formulate investment related stewardship policies
- Ensure good ESG product governance
- Assess new or repositioned investment products' ESG quality by reviewing the investment approaches in terms of resources, team set-up, ESG data usage, credibility, sophistication, etc.

Meeting frequency
On a monthly basis, and every quarter an additional meeting with the Chair, Secretary, Deputy Head of Investments, Head of Client Unit Asset Management, and Heads of each Investment Boutiques is scheduled.

Members
- Representatives of the Client Unit Asset Management: CU AM Head of Global Products & Solutions (Chair), Head of ESG Center (Secretary)
- Representatives of the investment boutiques: ESG Lead of each investment boutique
- Guests: Head of Corporate Responsibility and Sustainability

Strategic prioritization of projects
Within the Corporate 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 meetings. 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.

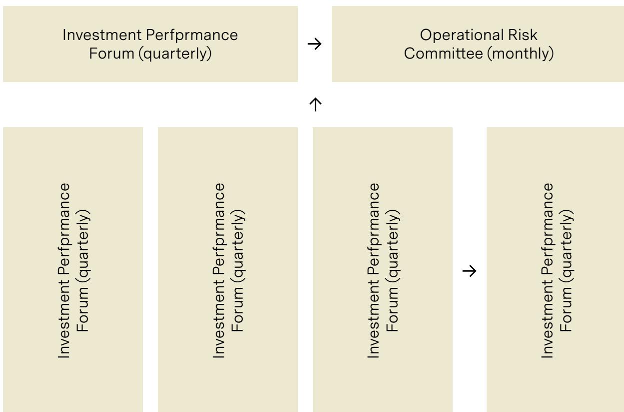
Continuous development of our ESG governance structure
We want to continuously ensure that our ESG governance structure supports our ambition in terms of sustainability performance, in the context of evaluating market and regulatory developments, internal organizational changes or clients' needs.

We further developed our Sustainability Governance in 2021. The Group-wide Corporate Sustainability Committee (CSC) now consists of management representatives from all Client Units and Centers of Excellence. Additionally, the committee is mandated to develop the company-wide sustainability positioning/strategy, to coordinate, approve and monitor its implementation. This includes related business plans of the Client Units defining go-to-market and overall ESG offering. This approach allows us to ensure we take decisions in line with the interests of our clients, while having an overarching and top-down approach.

On the ESG Investment Forum side, the Head of Corporate Responsibility & Sustainability was welcomed as a permanent guest of the committee in order to ensure good information flow and alignment of practices within Vontobel group. Additionally, to complement the monthly meeting, an additional meeting now takes place on a quarterly basis, including the ESG Investment Forum Chair, the Secretary, the Deputy Head of Investments, the Head of Client Unit Asset Management, and the Heads of each investment boutiques. This meeting serves as a platform to either escalate particular topics or adress themes of strategic relevance.

Risk Management committees
An escalation process has been defined for our risk management oversight as described below. More details about our committees and their attendees can be found below the illustration.

Committees and escalation process:



→ Findings, escalation

- 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 breaches 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 (monthly): 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 Business Risk, Middle office, Boutique representatives, AM/IN Compliance & Legal, VT Management Company Risk Managers

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.

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 conduct different client surveys.

Survey conducted by Citywire
We have mandated Citywire to survey our clients on the quality of our services. 2021'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 into 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. Compared to last year, the results remained relatively stable and above-average.

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 the 2020 survey's 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 our website content, user experience and functionality, with actionable recommendations. In 2021, we have been working on these recommendations. Based on the measures taken, we were able to improve our score on digital interface.

Survey conducted directly by Vontobel Asset Management
Unfortunately, we do not receive qualitative answers with the Citywire survey, which makes the results sometimes difficult to analyse. Last year and in order to further improve the way we assess clients' needs and satisfaction, we conducted our own survey for our Client Unit Asset Management, among others to adress this gap. The goal of the survey was to measure the satisfaction rate of our clients considering all experiences that the client has had with Vontobel and the net promoter score (measures the likelihood that a client would recommend a company, product or a service). At Group level, the results were discussed at the Executive Board and Global Client Forum of Bank Vontobel. In addition, each division of Vontobel evaluated the results and prepared a plan of action based on the feedback from the clients. At Vontobel Asset Management, the results were discussed at the Asset Management Board (AMB) meeting. The majority of clients indicated that they were very satisfied with Vontobel but we nonetheless want to achieve improvements in this area and to further strengthen client satisfaction and trust in our company.

Conflicts of interest

Group Conflict of Interest policy
It may not always be possible to avoid conflicts of interest arising when providing financial services, especially those conflicts inherent to employees' roles. However, it is important to settle these issues, as the appropriate identification, management and mitigation of resolution of conflicts of interest is evidence that the institution in question strives not to harm its clients, employees and third party providers interests. Vontobel takes its fiduciary duties to clients and beneficiaries very seriously. We apply a consistent and transparent approach to the management of conflicts of interest in accordance with local regulation.

Both Vontobel Group and Vontobel Asset Management have Conflict of Interest policies that define what a conflict of interest is and identify examples, describe how Vontobel identifies, documents and manages potential and/ or actual conflicts of interest and outline the measures that Vontobel has put in place to prevent conflicts of interest.

Our group-wide policy was updated in 2021 to reflect changes in our organisational structure. Our Asset Management-specific policy was developed during the course of 2021 to supplement the minimum standards as described in the Group policy and reinforce the framework applicable to asset management employees. Vontobel Asset Management aims, moreover the regular communication process between Compliance and business representatives, to create awareness amongst its employees population to allow self-disclosure of both potential and actual conflicts of interest situations and integration of those conflicts into a central register.

Amongst others, this new internal asset management policy encompasses guidance to identify and manage conflicts of interest related to our investment processes (e.g. trade allocation, best execution, proxy voting, employee personal transactions, remuneration).

How Vontobel identifies conflicts of interest
Vontobel has defined an escalation process for its employees in the event that a conflict of interest occurs. As part of it, employees are required to disclose potential conflicts of interest to their supervisor. Vontobel maintains a central register of conflicts of interest and would disclose relevant conflicts of interest to clients wherever there is a (regulatory or not) requirement to do so..

Vontobel Group provided a mandatory compliance training to all employees in 2021 that outlined the policies and procedures for identifying and managing conflicts of interest. All employees were required to pass a test related to the contents of the mandatory training. In order to maintain and refresh the knowledge of employees on the topic, further comnunication (refreshed training or other formats) will take place in 2022.

How Vontobel manages and mitigates conflicts of interest
The primary objective is to avoid conflicts of interest altogether, by implementing measures such as:

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

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

Managing actual and potential conflicts of interest related to stewardship

As a principle, Vontobel handles conflicts of interest related to stewardship according to the same policies and processes defined to manage other conflicts of interest. Beyond our standard practices, we have a number of additional measures to mitigate the risks of conflicts of interests related to stewardship:

- We have a sustainable investing and advisory policy that formalizes principles, governance structures, and processes related to sustainable investing practices;
- We have voting and engagement policies in place that govern the submission of votes in a manner which Vontobel reasonably believes to be in the best interest of its clients;
- We use proxy voting service providers that follow proxy voting policies reviewed and approved by Vontobel. Investment teams must follow defined processes when changing votes including providing appropriate documentation.
- We separate client-facing functions from voting and engagement activities.

Examples of conflicts of interest related to stewardship

Criteria related to ESG product categorisation

The implementation of regulatory requirements in our operations in 2021 has presented specific challenges and opportunities related to stewardship, especially the Sustainable Finance Disclosure Regulation (SFDR) in the European Union. On one hand Vontobel faces increasing sales pressure to expand its offering of products that have social and environmental or sustainable investment objectives, and on the other hand must operationalize rigorous governance and operational processes to ensure the integrity of the investment processes of products that pursue such objectives.

We handled this challenge by taking measures such as:

- Defining clear minimum criteria for our ESG product categories[1];
- Strengthening our product governance related to ESG via our ESG Investment Forum (see further details about our ESG governance in our sustainable investing and advisory policy at vontobel.com/SFDR);
- Initiating a project led by our Asset Management Risk team to document ESG processes and controls within investment teams.[2]

Incorporating ESG information into investment decision-making

In 2021 we started to analyse the potential conflict of interest that portfolio managers might prioritise financial information over ESG information when making investment decisions.

In order to assess this potential conflict of interest, the Vontobel Asset Management Risk team undertook an exercise to map the ESG processes within each investment team, and to document how portfolio managers incorporate ESG information into the investment decision-making process. This mapping exercise in ongoing in 2022.

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

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

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

Proxy voting

Vontobel Asset Management has implemented a Proxy Voting policy and associated procedures that are designed to ensure that voting takes place in the best interest of clients.

In order to facilitate the actual process of voting proxies, Vontobel Asset Management has contracted with independent advisors to analyse proxy statements on behalf of its clients and vote proxies in accordance with its procedures. Processes for deviating from the proxy voting advisor's recommendations are defined. More information can be found on page 32.

1 More information about our product categories can be found on page 17.
2 More information about this project can be found on page 25.

Also, a couple of controls are performed by our business risk management function, to provide reasonable assurance that proxy voting instructions are identified, processed and recorded accurately. As for instance, proxy voting instructions are inspected (on a sample basis) to determine whether they are made in accordance with the Vontobel Asset Management's voting policy. More information about this monitoring process can be found on page 57.

Review and Assurance
Our ESG governance structure plays a central element for internal review and assurance

Our ESG governance structure integrates review and assurance processes. Vontobel strives to continuously improve its own sustainability performance and has two committees that work towards this goal

- At the Group level, the Corporate Sustainability Committee driven by a top-down approach, drives the sustainability strategy and monitors its implementation. Client Units and Centers of Excellence report to this committee on their progress. Find out more about our ESG governance structure on page 15 and 51 – 52.
- At Vontobel Asset Management level, the ESG Investment Forum ensures good product governance, by reviewing the compliance of new and re-positioned products with the interally predefined criteria for each ESG product category. Find out more about these categories on page 17.

Periodical review of ESG related policies
Generally, policies are either reviewed on an ad-hoc or annual basis. There are typically three drivers that might lead to a review of and change to underlying policies, processes or activities: 1. regulation, 2. evolving best practice 3. continuing focus on key themes. Reviewing policies is subject to a pre-defined approval process.

In 2020, we made two significant internal reviews to assure compliance of our policies and investment solutions with Regulation (EU) 2019 / 2088 ("SFDR"). We revised the Sustainable Investing and Advisory Policy, and finalized the update in the first quarter of 2021. More information about this revised policy can be found under vontobel.com/SFDR.

External Review and Assurance of our reports
Our Sustainability Report, which is an integral part of the Vontobel Annual Report is produced in accordance with the GRI Standards. 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 more junior management positions as well as a fairly balanced age mix among employees. However, the proportion of women in leadership positions declines as the level of management seniority increases. The Talent Acquisition team therefore places a targeted focus on ensuring an appropriate mix of female and male candidates in the area of recruitment and promotions. When conducting interview training, an emphasis is placed, among other things, on the importance of having a diverse pool of candidates and avoiding unconscious bias."

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.

External recognition
Vontobel is a signatory of the Principles of Responsible Investment (PRI). We were awarded an A+ for the PRI module "Strategy and Governance" in 2020 , and ratings above the market median in four of the sixother modules. Additionally, the leading ESG rating agencies MSCI, Sustainalytics, ISS ESG, and Inrate have given Vontobel above-average sustainability ratings in the environmental and social dimensions. For example, on a scale from CCC to AAA, MSCI rates Vontobel AA.

In 2021, Vontobel Asset Management became a signatory of the UK Stewardship Code and demonstrated its compliance with the 12 recognised and ambitious principles.

[1] UN PRI reporting outcomes for 2021 have been postponed to 2022.
[2] As of 31.12.2021.

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.

This policy has been revised in 2021. It became more granular and now includes our expectations on the following topics: legal and regulatory requirements, conflicts of interest/corruption, cnvironmental protection, human rights, child and forced labour, modern slavery and human trafficking, respect at the workplace, working conditions, diversity and inclusion, freedom of association, health and safety.

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

ESG Investment Forum as a platform to review service providers

We set high expectations for the ESG-related services provided by external parties, and they should meet our needs, in terms of quality of data, quality of service and breadth of coverage. The ESG Investment Forum reviews or supervises reviews of our external partners. Because all boutiques are represented in the ESG Investment Forum, it provides a platform to raise concerns, for example those related to service providers. This review consists in a continuous exchange between the ESG Leads representing the investment boutiques, which are usually the main user of these services.

Occasionally, our review of services may show negative results. In those cases, we would carefully analyse the provided services, conduct a market analysis and take decisions collectively. This might result in ending the business relationship with the service provider. In 2021, we had this case with one of our active ownership partner. More information can be found on page 33.

→ Read more about the role of the ESG Investment Forum on page 15 and 52 and about our service providers on page 18.

Case study: Selection and monitoring of ESG data providers

ESG data providers do not only play an important role in the context of ESG analyses. Their services are also key when it comes to meeting reporting requirements and providing appropriate transparency to our clients. In the context of ESG being a rapidly evolving environment, we need to carefully monitor our data needs. To ensure that ESG data providers can rely on clear expectations, we are in regular exchange with them. We observe that ESG data providers are also looking for this regular exchange, as it helps them to develop their services in a client-centric manner.

Case study: Monitoring of proxy voting service providers

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

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

The relevant team of the entities purchasing these services 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

The variable compensation serves the purpose of motivating employees to strive for exceptional long-term performance. The variable compo- nent 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 Global Executive Board, is responsible for positioning Vontobel as an attractive employer. Annual reports are submitted to the Board 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 2021 on page 102.

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.

To prevent discrimination in the workplace, the principle of non-discrimination is enshrined in our Employee Handbook. Both the Employee Handbook and the Vontobel Code of Conduct form an integral part of the employment contract.

The Executive Committee takes the topic of Diversity & Inclusion seriously and is committed to ensuring that it is anchored and developed further within the organization. In the focus areas that we defined—Cultural Diversity, Equal Opportunity, Generations and Inclusion – we have therefore defined appropriate and realistic points of focus. We actively address the topic of Diversity & Inclusion with Vontobel's management in order to bring about changes and achieve our goals in this area. Consequently, Diversity & Inclusion forms an integral part of our leadership seminars.

For cultural diversity: When building teams at our 26 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.

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 is a member of "Advance" since 2019. We also participate in regular benchmarking studies, such as the St Gallen Diversity Benchmarking Report and the Advance HSG report for Switzerland. The benchmarks confirm that Vontobel has a relatively high proportion of women in more junior management positions as well as a fairly balanced age mix among employees.

In the year under review, we commissioned the Competence Center for Diversity & Inclusion (CCDI) of the University of St. Gallen to conduct an equal pay analysis in Switzerland. The findings of the analysis show that Bank Vontobel AG and Vontobel Asset Management AG are essentially complying with the principle of equal pay. The Social Partnership Centre for Equal Pay in the Banking Industry (SF-LoBa) has reviewed the analysis. The results have been certified and we have been awarded the label "Equal pay audited in accordance with the requirements of the Equal Opportunities Act.

For exchange between generations: The exchange of experience and sharing of knowledge between juniors and seniors 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. We aim to achieve a balanced age mix. Ensuring long-term talent management and succession planning that are aligned with the needs of the business divisions is of key importance for Vontobel.

The Vontobel Graduate Trainee Program (GTP) has been promoting the successful integration of young talents within Vontobel. In October 2021, the largest group of trainees to date embarked on the program, which was extended to all areas of the business. We now run the GTP, which is in its tenth year, in all our international locations. We set ourselves ambitious targets in terms of employee diversity when hiring graduates. Almost half of the graduates we have attracted are women and 2/3 with an international background.

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 31.12.2021, at Vontobel Asset Management, we had about 69% men and 31% women in our workforce and more than 20 nationalities are represented.

→ More information about our workforce structure can be found in our Sustainability Report 2021, on page 105 – 106. 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 20, 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 making better investment decisions, and that this integrated structure brings even more relevance to ESG considerations into our investment decisions. Our ESG analysts sits together with financial analysts and portfolio managers, which fosters a countinuous exchange.

Our ESG network represent the heart of our ESG expertise and specifically allocates the majority of their activities to ESG related topics. As part of our ESG networks, 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. Additionaly, Vontobel subventions ESG related certificates. A growing number of employees undertakes such trainings.

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

Vontobel supports GreenBuzz, a network to promote sustainability issues through research, education and networking. Since its creation 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 Analysts


Lara Kesterton
Sustainable Equities


Eugenio Carnemolla
vescore
Quantitative Analyst


Camilla Leopoldino
Sustainable Equities


Marion Swoboda
Fixed Income


Xiaoyue Du
Sustainable Equities


Alexia Luyet
Fixed Income


Gayle Chan
Sustainable Equities


Brian Bandsma
Quality Growth


Thomas Trsan
Sustainable Equities


Emily Kao
Quality Growth


Matthias Fawer
Sustainable Equities


Sudhir Roc-Sennett
Quality Growth


Eckhard Plinke
Multi Asset


Marci Richburg
Quality Growth

Managing sustainable portfolios


Roger Merz
Sustainable Equities


Anton Oberhofer
Multi Asset


Manfred Büchler
Fixed Income


Thomas Schaffner
Sustainable Equities


Mathias Koller
Multi Asset


Chris Bowie
TwentyFour AM


Marc Hänni
Sustainable Equities


Anna Holzgang
Fixed Income


Grame Anderson
TwentyFour AM


Pascal Dudle
Impact & Thematics


Thierry Larose
Fixed Income


Elena Tedesco
Impact & Thematics


Carl Vermassen
Fixed Income


Gabriele Grewe
Multi Asset


Sergey Goncharov
Fixed Income


Catrina Vaterlaus
Multi Asset


Daniel Karnaus
Fixed Income

ESG Center


Lukas Münstermann
Head ESG Center


Marina Preyssat
ESG Specialist


Heather Kirk
ESG Specialist

Team Facts
- 30+ ESG experts
- 15+ specialists fully dedicated to ESG
- 4 locations: CH, US, UK, HK
- 10+ nationalities
- in average, 12 years of ESG experience
- in average, 7 years at Vontobel

ESG Lead representing the boutique in the ESG Investment Governance Committee
ESG Analyst
Engagement

Source: Vontobel Asset Management.

Appendix 3

Managing system risks, in particular Covid-19

Our Risk management framework applied to the Covid-19 pandemic
Our Risk management framework, as described on page 24 – 27, 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 triggered by the Covid- 19 pandemic. Vontobel typically uses three structures to manage its response:

A Group-wide Taskforce, meeting daily to assess the overall impact of any crisis.

An Asset Management Working Group, meeting as needed to assess the impact on Asset Management clients, share information and communication.

A Valuation Committee, meeting as needed, to ensure appropriate governance over topics related to liquidity. The Committee includes operations, compliance, risk and legal functions, plus representatives of our fund management platform, and operates independently of Portfolio Managers.

Our client-centric approach during any crisis
We adjust our communications to meet client needs throughout any crisis. Our first step is to recognize that there is a global crisis and set up the structures outlined above to manage our activities, with a sub-group of the Asset Management Working Group focused on communications. The team delivers communications on market events and enables clients to hear from our portfolio managers each day as the crisis unfolds. We also leverage our investment in digital to rapidly publish updates across channels, assess how much appetite our clients had for these communications as the crisis unfolded, geography by geography. We use a mix of qualitative and quantitative feedback to adjust our plans to give clients the information they want.

Our learning from the Covid-19 and other crises is that communication needs to change rapidly as the crisis unfolds.

- In the initial phase, the focus should be simply on sharing data around exposures, so that clients know where they may be impacted. This information needs to come out rapidly, typically within 24 hours. In addition, during the Covid crisis, we focused on business continuity as well as portfolio information, as clients wanted to know that our systems could continue to operate with large numbers of people working remotely.
- Next, clients want to know what their investment managers think. Here a considered response is needed, as Portflio Managers need to assemble the facts and then take time to analyze them, before communicating with clients. Then they provide an in-depth analysis covering the macro-economic outlook, as well as details of how portfolio holdings may be impacted.
- Finally, there comes a wave of detailed questions. Here coordination is required to ensure all questions are answered in an accurate, timely and consistent manner, whilst also treating clients equally, and ensure information is published simultaneously to all clients.

By pivoting our communications during the Covid pandemic, we gained good feedback from clients and were able to support them in adjusting their portfolios to align with changing market conditions.

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. Through our memberships and participations in working groups, we aim to achieve different objectives:

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

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

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

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

We believe that through our participations to these groups, we contribute to the convergence of best practices on the market and, on the other hand, to ensure that we are always at the cutting edge of ESG investing and actively seize the growth opportunities resulting from sustainable investment, and thus best serve our clients.

Below, you will find some of our memberships, their purpose and activities, as well as our contribution. We support further initiatives such as “Sustainable Finance Geneva”, “Forum per la Finance Sostenibile”, the “Swiss Climate Foundation” 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 frame-work of mandatory and voluntary indicators. Based on this report, signatories are rated according to the six PRI modules. Thus, together with over 3,000 signatories, we contribute to more transparency and comprehensible comparability among market participants.

The release of the 2020 transparency and assessment reports, planned for mid 2021 has been delayed by the PRI due to issues with its new online reporting tool. PRI intends to deliver public versions of the reports to all signatories by June 2022 and delaying the opening of the next reporting period until 2023, bypassing 2022 entirely.

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

Since 2017

UN Global Compact

unglobalcompact.org

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

→ More about our Sustainability Report in our ESG Library on page 116 and under vontobel.com/en-ch/about-vontobel/responsibility/sustainability-report/.

To mark the 20th anniversary of the UN Global Compact in 2020, 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.

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 foot-print. 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.

Our “B” score represents the “Management” disclosure level that is assigned to companies that take coordinated measures on climate topics.

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. Over the course of 2021, the Listed Equities Working Group has continued developing a guidance document on impact investing in listed equities. That document will help asset owners identify what practices and characteristics to seek in funds and help fund managers consider ways to evolve their offerings to pursue positive, intentional impacts. 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 organisation. The SSF strengthens the position of Switzerland in the global marketplace for sustainable finance by informing, educating, and catalysing growth. Vontobel hosts and sponsors SSF events and actively contributes to SSF publications like the annual Swiss Sustainable Investment Market Study, which has become a reference publication for the Swiss market for media and associations. Additionally, with its practice-oriented approach bringing together market participants, SSF serves as an exchange platform for different organisations, including the Swiss government and and supervisory authorities.

Vontobel co-leads the Wealth and Asset Management Workgroup at SSF: This workgroup aims to promote sustainable investing in Swiss private wealth and asset management and further strengthen Swiss offerings in this field. To do so, the group runs projects and publishes different guides to support market participants. An example is the report "100 terms related to sustainable finance" whose goal was to align on the language used when talking about sustainable finance. Another example are the resources provided to the Swiss financial market participants to support for the regulatory changes related to the implementation of the EU Action Plan for Sustainable Finance. Vontobel participated in webinars and workshops to promote and present these resources. Specifically in 2021, SSF and the workgroup have launched a report, in collaboration with sustainserve, called "SSF Reporting Recommendations on Portfolio ESG Transparency" that identifies best practices and provide guidance on the implementation of frameworks such as PRI and CDP. In 2022, the group will work on a project focused on the client advisory process in the context of ESG.

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. Specifically in 2021, Vontobel participated in a joint project by the AMAS and the SSF that resulted in the publication of the guideline “How to avoid the Greenwashing Trap: Recommendations on Transparency and Minimum Requirements for Sustainable Investment Approaches and Products”, with the aim to support financial market participants.

Since 1924

Swiss Bankers Association (SBA)

swissbanking.org

The Swiss Bankers Association 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 were pub lished.

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. An example is our participation in the Expert Commission for Sustainable Finance of the SBA. Vontobel contributed in 2021 to the interdisciplinary “Taxonomy” working group. The goal is to compare different international taxonomic approaches with one another, as well as with the existing conditions in Switzerland and to form a clear picture of where relevant differences lie and to what extent Swiss legislation may need adapting. This workgroup also contributes to consultation rounds organised by the Swiss government on sustainable finance related topics.

Since 1984

Association of Swiss Asset and Wealth Management Banks (VAV/ABG)

vav-abg.ch

The VAV is the Association of Swiss Asset and Wealth Management Banks. It comprises 23 banks which are headquartered in Switzerland and primarily operate in the area of asset and wealth management for private and institutional clients. Its members manage assets totalling more than CHF 1,200 billion and employ around 19,000 staff in Switzerland and abroad. Vontobel leads the Working Group Sustainable Finance of the VAV/ABG. On behalf of all members the working group has developed 12 Priorities for Sustainable Finance as a voluntary self-regulation.

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.

Areas of investment: 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 investment philosophy focuses on "High Quality Growth at a Sensible Price". The aim is to deliver returns based on long-term investments in solid businesses with the ability to sustain stable growth rates.

Alongside growth, the approach seeks to identify and understand ESG risks that can influence the predictability of investment potential. ESG is seen as a range of real risks and opportunities where management choices can impact long-term returns for investors.

Quality Growth considers its approach to stock ownership as Active Stewardship. Active Stewardship involves regular engagement with Boards of Directors, management teams and other stakeholders to deepen the understanding of strengths and risks as they evolve over time. Quality Growth exercises its votes independently and in the way that the team believes will best represent the interests of its investors. This represents a key element of Active Stewardship.

Deep-dive research effort is backed by a dedicated team of experienced ESG analysts with a broad range of skills, including in the area of investigative journalism.

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 indepth company-by-company research, before making high-conviction investment decisions.

Areas of investment: 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 that have a possible influence on future cash flows help us evaluate both the companies' ESG risks and opportunities. In 2021, we modified and strengthened our approach to the ESG analysis of China-A shares.

For clients with a focus on Switzerland, the ***Swiss Equities team*** has been offering sustainable investment solutions for more than 20 years and has a broad range of strategies.

With the "Integrated ESG" approach, ESG criteria are an important component of the investment process. The analysts assess companies from both a financial and a sustainability perspective. As part of this process, they define qualitative ESG information for all portfolio stocks—similar to the mtx approach—with ESG criteria being assigned different weightings depending on the sector.

In the case of dedicated sustainable investment solutions, we additionally apply sector exclusions and "best-in-class" approaches, with analysts and portfolio managers working primarily with external sustainability rating agencies such as Inrate or Ethos. The team has one of the largest volumes of actively managed Swiss equities in the sustainable investing space.

Our ***Listed Impact Equity strategies*** address global challenges such as climate change, the scarcity of natural resources, population growth and urbanization based on a targeted approach.

The strategy focusing on clean technology invests in companies whose products and services help to reduce the environmental impacts of processes, buildings and infrastructure. 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 energy-efficient electric motors, weight reductions in the area of transportation or the use of high-performance processors. In this context, we consider the entire value chain of these products and services, since the largest environmental impact often occurs during the phase when they are in use.

Moreover, we have developed a method to measure "Potential Avoided Emissions" (PAE) together with the ISS ESG consultancy. This solution-oriented approach records the contribution that these products and services are expected to make to the reduction of CO_2 while in use compared to a conventional product or process.

When a company is being considered for possible investment, the responsible analysts not only look at financial and standard ESG criteria but also at the company's contribution to the achievement of the UN Sustainable Development Goals (SDGs) and the quantifiability of the positive impact generated using indicators defined by us. An Impact Calculator that is available on our website for the relevant products shows the potential impacts of the products and services on the environment.

In 2021, we expanded our offering to include a strategy that considers environmental challenges and also social change. We invest here in companies that offer innovative solutions to manage challenges such as population growth, the ageing population, healthcare provision and food distribution. The strategy builds on the investment and impact approach of our environment-oriented strategy that has proven effective for more than a decade.

Fixed Income

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

Areas of investment: 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 across all managed portfolios. In terms of companies, we do not only take account of financial data but also of ESG factors and we assess their influence on credit quality and credit ratings.

Our country analysis covering government issuers does not only take account of macro data and political analysis but also ESG factors in order to evaluate their impact on a country's credit rating. We use data and information from recognized ESG research agencies, with our own credit and ESG specialists carrying out follow-up research to explore these topics in more depth. In the case of matters that are highly controversial from an ESG perspective, we strive to achieve improvements through additional engagement activities.

Our qualitative research distinguishes us from a passive approach that is implemented on a purely quantitative basis in respect of sustainability. Our dedicated sustainability strategies place an emphasis on social and environmental factors in addition to financial performance. Four topics—Basic Needs, Empowerment, Environmental Capital and Climate Change – serve as our sustainable map and we have defined relevant ESG indicators on that basis. Each sustainable investment strategy relates to a selected focus theme.

The main characteristic of our Green Bond strategy is the careful selection of environmentally sustainable projects in areas such as solar energy or climate-friendly transportation to generate the largest possible contribution in terms of avoided emissions. In addition to return opportunities, this strategy enables our clients to invest in projects that make a measurable contribution to climate protection.

TwentyFour Asset Management[1]
Targeting attractive risk-adjusted returns throughout the economic cycle, with a strong focus on capital preservation, integrating an innovative ESG framework.

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

Our subsidiary TwentyFour Asset Management (TwentyFour) manages all portfolios using an ESG integration approach, where ESG factors are evaluated alongside traditional credit metrics in its proprietary relative value database.

For TwentyFour's sustainable fund range, further integration and screening methods are applied. It seeks to avoid investing in companies that are involved to a significant extent in the production of tobacco, alcohol or controversial weapons, are active in the gambling or adult entertainment industries, or produce carbon-intensive energy. It also avoids investments in companies that carry out animal testing for cosmetics. Further, TwentyFour conducts a comprehensive analysis process which means that we only invest in companies whose ESG scores fall within the top two-thirds of potential scores according to our in-house scoring model.

Engagement is a key factor for fixed income investors who are unable to vote in the same way as shareholders. TwentyFour is convinced that active engagement makes it possible to influence the conduct of companies. Engagement activities are published on its website and are discussed in regular client reporting. TwentyFour Asset Management LLP is a signatory to the UK Stewardship Code 2020 and the UN PRI.

[1] TwentyFour Asset Management is a specialist fixed income firm based in London and New York, and an independent operating subsidiary of Vontobel. TwentyFour Asset Management is a signatory of the UK Stewardship Code 2020. More information about TwentyFour Asset Management's approach to ESG and Stewardship can be found under twentyfouram.com/responsible-investment.

Multi Asset

Vontobel Multi Asset Boutique
Fundamental asset allocation across asset classes based on bottom-up and top-down assessments, with the long-term objective of protecting and growing clients' assets.

Areas of investment: Traditional and alternative asset classes, benchmark aware

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 of Vontobel. 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 values-based exclusion criteria are applied in customized solutions.

vescore
Purely systematic or hybrid (= systematic combined with active) investing based on proprietary quantitative models rooted in innovative financial market research implemented with highest precision and risk management in the center, aiming for attractive long-term returns.

Sectors: Traditional (equities, bonds) and alternative (commodities, volatility, currencies) risk premia

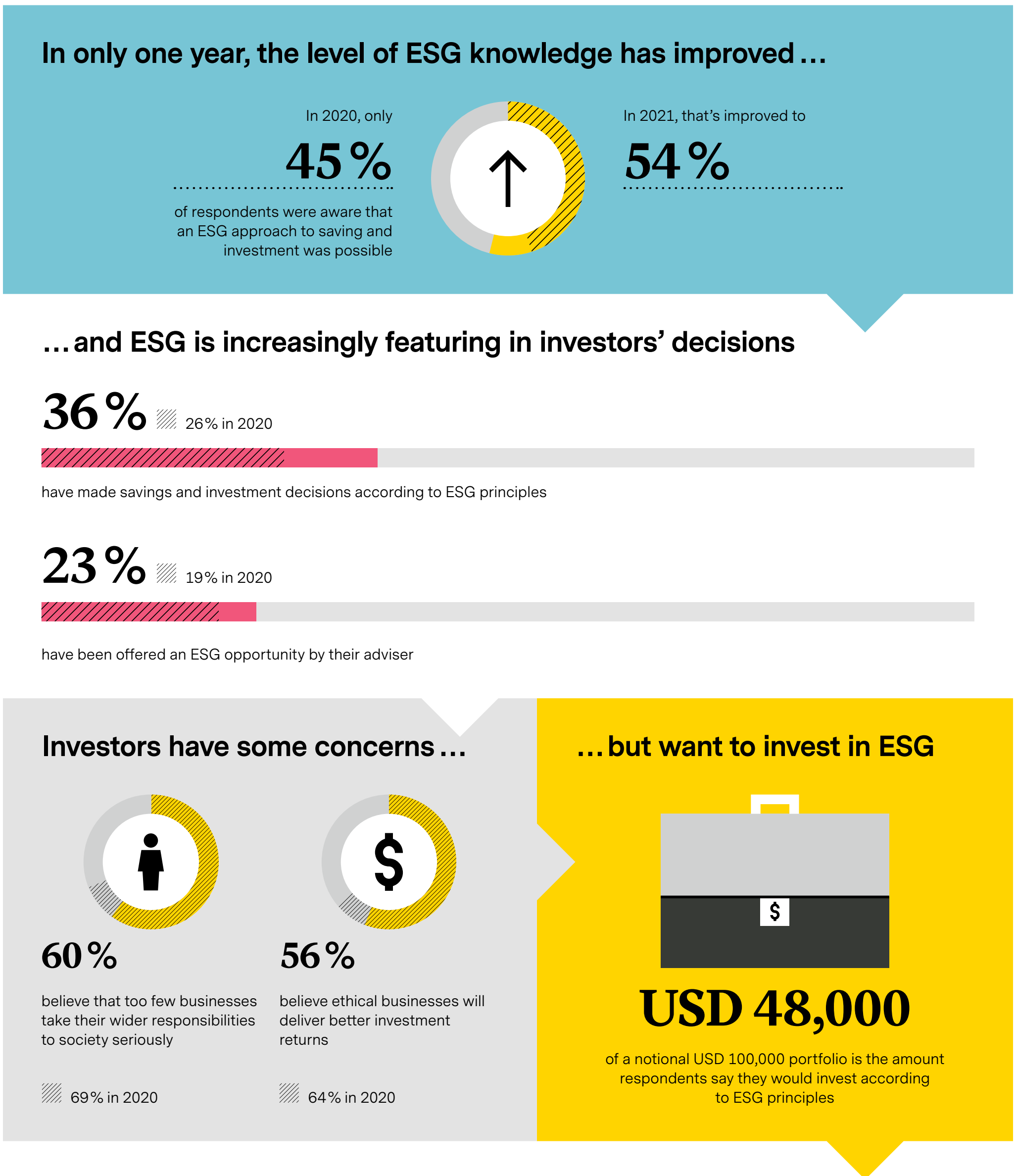
The basic portfolio of the quantitative Multi Asset funds consists of bonds with a minimum ESG rating. The active positions are built using index investments. We observe the market for sustainable indices in this context and take account of relevant products with sufficient liquidity.

Appendix 6

The ESG knowledge barometer 2021

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, and 2021, with over 5,100 participants from 16 countries.[1]



[1] The figures showed below reflect the respondents' answers. By no means the data have been produced by Vontobel.

And they're open to a discussion about ESG investing

38 % have been approached by their bank to discuss ESG-related investments

32 % have been in touch with their family and/or friends to discuss ESG-related investments

17 % have been in touch with their financial advisor to talk about ESG

Covid-19 has transformed ESG attitudes …

46 % adopt renewable sources of energy

48 % buy more environmentally friendly foods and products

44 % take action to address climate change by improving home insulation

44 % are more conscious in their brand choices

… making investors want even more

65 % see that the impacts of climate change can no longer be ignored by governments

61 % agree that action is needed to steer investments away from heavily polluting sectors

61 % see that richer developed countries need to help poorer countries to tackle the effects of climate change

52 % realize the importance of the COP26 summit

Act ESG

How ESG empowers investors to drive positive change.

Source: Vontobel original research carried out in August 2021, based on a survey of 5,125 in 16 markets in Europe, North America, South America, as well as in Singapore and Hong Kong.

Appendix 7

Breaking through barriers

In 2021, we conducted a survey about opportunities and concerns of investors and their advisers in our latest survey, which surveyed 200+ advisers from across the globe. It included an equal number of surveyed advisers based in Europe, the Americas and APAC.

Current ESG exposures are low

Q: Within your average client portfolio, what approximate percentage is allocated to ESG products or strategies?

0 to 5%	6 to 25%	26 to 50%	>51%
37%	50%	8%	5%

But ESG is set to almost double within the next three years.

Q: What percentage of your total book of business is invested in ESG?

	Today	Next 3 years
Americas	11%	20%
Europe	20%	40%
APAC	16%	21%

And the number of clients invested will continue to rise sharply.

Q: What proportion of your clients belong to the following groups?

	3 years ago	Today	Next 3 years
Currently invest in ESG products.	8%	18%	31%
Do not currently invest in ESG products and have no plans or interest in doing so.	54%	37%	27%

Advisers hold the key

Advisers only recommend ESG to a quarter of clients.

Q: In the past 12 months, to what percentage of clients did you recommend an ESG product?

Only 20 percent of advisers fully embed ESG into their process.

And 2/3 of clients have either never heard of or know very little about ESG.

Q: Across your book of clients, what percentage...?

29% Have never heard of an ESG approach to saving and investment.

30% Have heard of an ESG approach to saving and investment but know very little about it.

Building opportunities

Process, training and clarity are vital.

Q: Which of the following will make you more likely to recommend ESG products?

72% of advisers want straightforward explanations of ESG products, approaches and terminologies.

64% would like to attend a training program on ESG, preferably online.

To yield promising rewards.

62% of advisers believe ESG attracts new clients.

59% of advisers believe ESG fosters deeper engagement.

51% of advisers say it encourages stronger client relationships.

[1] More information about this survey can be found on our website under am.vontobel.com/act-esg.

Source: Vontobel original research carried out in August 2021, based on a survey of 5,125 in 16 markets in Europe, North America, South America, as well as in Singapore and Hong Kong.

Appendix 8

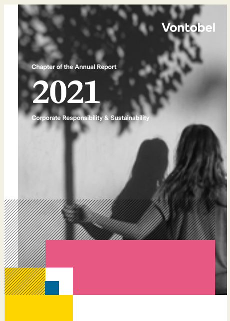
Our ESG Library

Reports
At group-level, Vontobel publishes a sustainability report, as part of the annual report.

→ Find our Sustainability Report under vontobel.com/en-ch/about-vontobel/responsibility/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
- Sustainable Investing and Advisory policy
- Guidelines on cluster bombs and land mines
- Voting and Engagement policies

→ Find more information about these policies on page 14 and under am.vontobel.com/en/esg-investing.

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 2021.

- "Water, a source of life and a complement to investment portfolios"
- "Finance must play its part in stopping climate change"
- "Global recycling boom: Where there is plenty of upside potential in waste"
- "Covid-19 reinforces structural trends"

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

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

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

Appendix 9

UK Stewardship Code

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

PRINCIPLES		PAGES
Purpose and governance		
1.	Purpose, strategy, and culture	4 – 6, 9 – 12, 14 – 29
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3.	Conflicts of interest	54 – 55
4.	Promoting well-functioning markets	24-27, 33, 39 – 49, 62, 63 – 66
5.	Review and assurance	6, 56
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6.	Client and beneficiary needs	6, 11, 12, 14, 15, 28, 53 – 54, 71 – 73
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