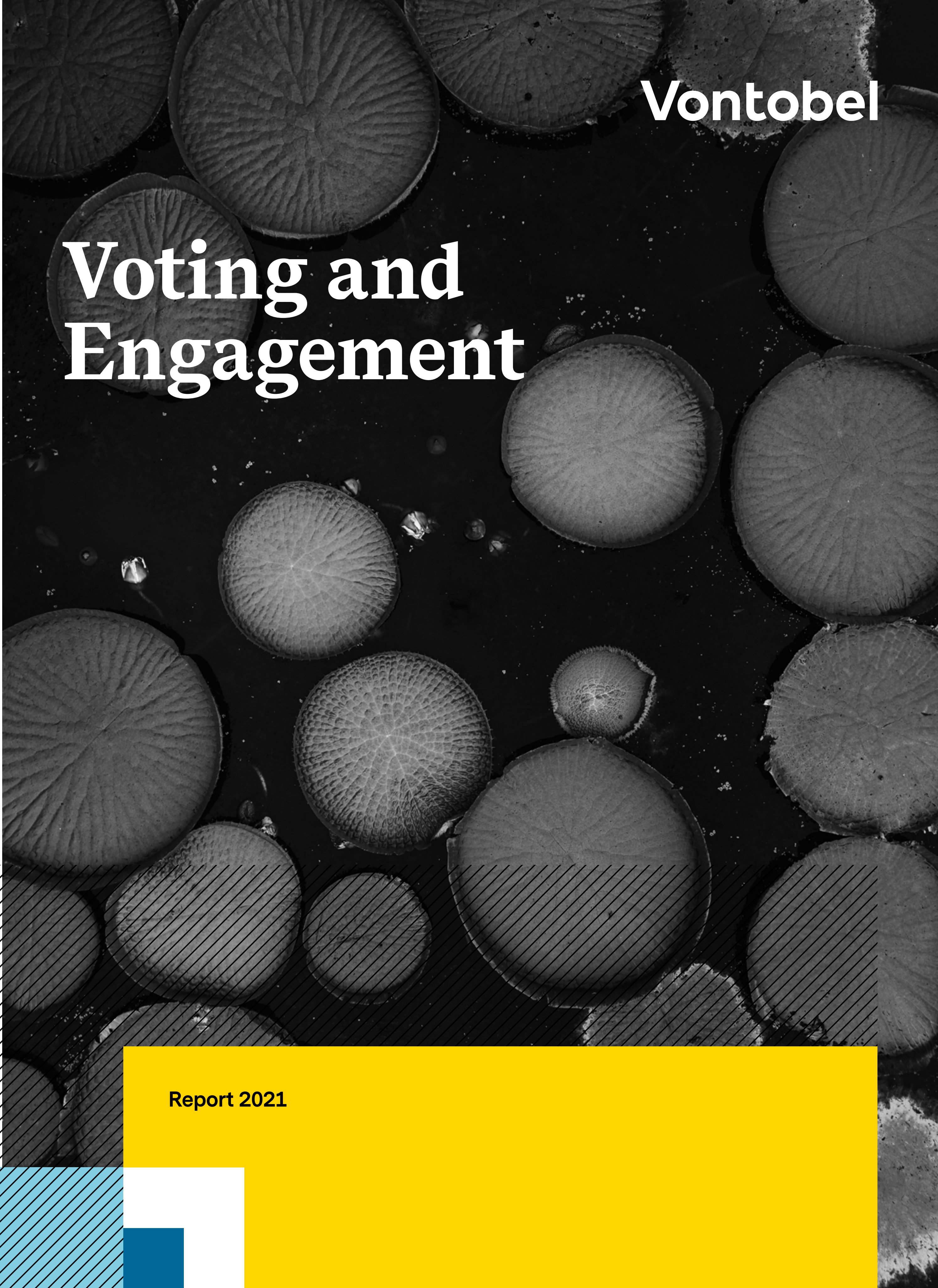
Vontobel

Voting and Engagement



Report 2021

Asset Management

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 04.

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. More information about this due dilligence process can be found in our ESG Integration and Stewardship report (page 57) under am.vontobel.com/esg-investing.

[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 9.

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 11.

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 10 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.

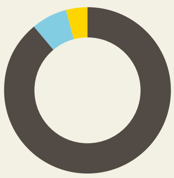
Voting Highlights 2021

1,777 meetings

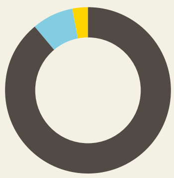
In 2021, we submitted votes at 1,777 meetings, for companies based in different regions, whereby the largest part were based in North America and in Europe. In 89 % of voting items we voted “For”, and The remaining 11 % were voted either “Against”, “Abstain”, “Withhold”, “One Year” or “Split”. 88 % of 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]

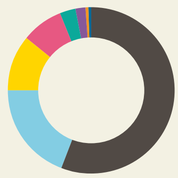


For	89 %
Against	7 %
Other (Abstain, One Year, Withhold, Split)	4 %



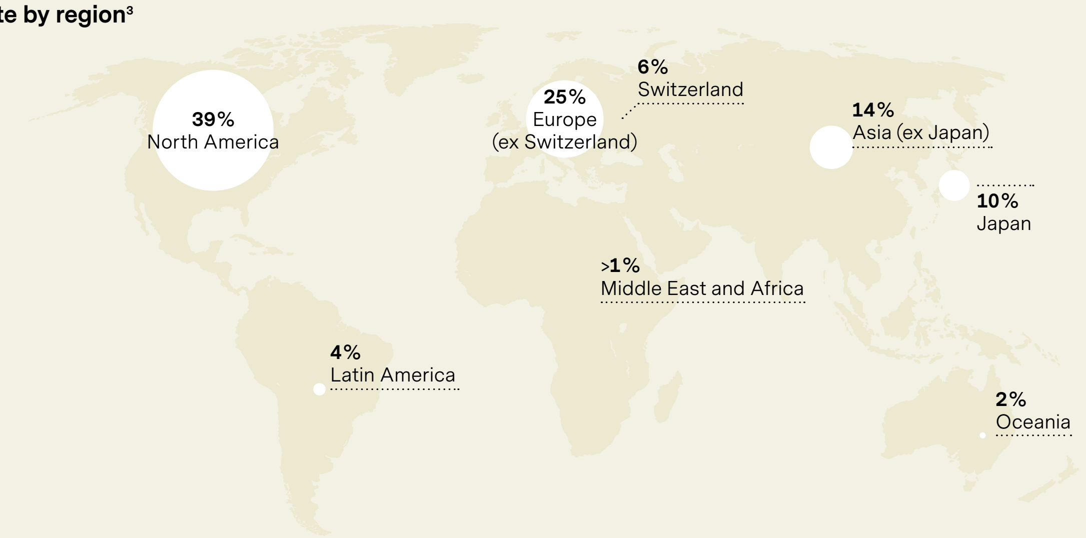
Vote with management	88 %
Vote against management	8 %
Other[2]	3 %

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.

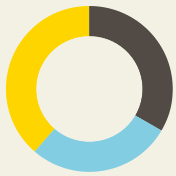
Engagement Highlights 2021

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 19.

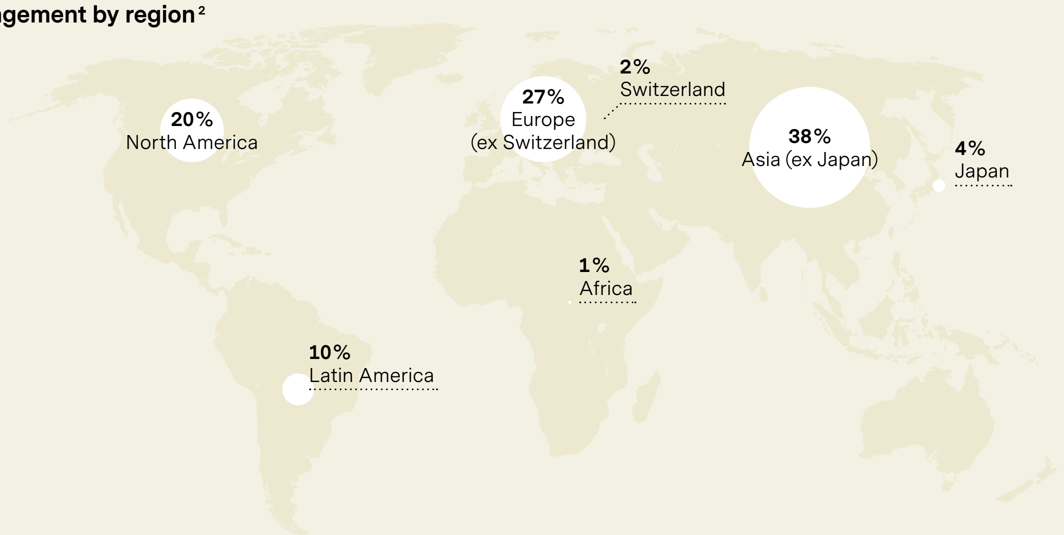
We engaged mostly with companies based in Asia, Europe and North America. Governance issues were the biggest concerns.

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

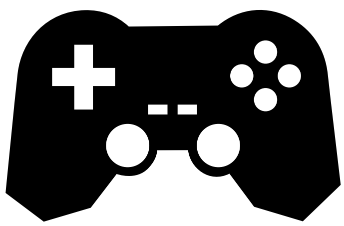
- mechanisms in place to tackle issues from overuse or inappropriate content;
- enhancing the welfare of your user community; and finally,
- company preparedness for current and future regulatory updates on this area.

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 in our ESG Integration and Stewardship report (page 27) under am.vontobel.com/esg-investing.

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 CO_2, Scope 1 & 2)	62
Carbon footprint (tons of CO_2, Scope 3)	62
Avoided carbon emissions (tons of CO_2)	27
Renewable energy generated (GWh)	16
Annual renewable capacity installed (MW)	11
Drinking Water provided (millions m^3)	7
Waste water treated (millions m^3)	4
Water recycled and/or saved (millions m^3)	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

Bank Vontobel AG
Gotthardstrasse 43
8022 Zurich

vontobel.com