Engagement and Stewardship Principles

Our Stewardship Philosophy:

As long-term investors, and active owners, we have a duty to be good stewards of the capital we manage on behalf of our clients. We strive to perform this duty by engaging with the companies in which we are invested and by exercising our proxy voting rights. These stewardship activities give us the opportunity to guide companies in which we invest toward lower environmental and social risks, better governance practices and more positive impact regarding the sustainable development goals, which we believe produce long-term, sustainable returns.

Our Engagement Priorities:

A key input in our investment selection process is the assessment of the ESG qualities of the companies and the commitment of the board and senior management. To develop that knowledge, ESG Portfolio Management uses several external data and research providers but also engages with company management and prioritizes active dialogues where portfolio positions are significant and issues are viewed as material.

Our Mission Statement:

Sustainability investing is integral to ESG Portfolio Management's strategy.

In particular, we aim to increase the impact regarding the sustainable development goals (SDGs) and constantly work to reduce the GHG emissions of our portfolio holdings further. In addition, we are convinced that integrating environmental, social and governance (ESG) factors results in better-informed investment decisions which should result in higher risk adjusted returns.

We do not invest in those government bonds and corporations with poor ESG quality or significant controversies or incidents like conflicting human rights. Potential investments are excluded when the companies are in the business of controversial weapons or nuclear energy, or if the companies generate more than five percent of sales in the areas of alcohol, coal, gaming, oil, pornography, tobacco or weapons.

We believe that our engagement with companies on financially material sustainability issues will have a positive impact on our investment results and on society. The policies outlined in this document apply to investments across equities, fixed income and alternatives. Our integration approach spans the breadth of the investment process, from identifying trends, analysing securities, constructing portfolios, through to engagement, voting and reporting.

Our Engagement Process and Methods:

ESG Portfolio Management aims to ensure that shareholder engagement is effective and works in the best interest of clients to improve the long-term returns from the companies in which we invest. Engagements are conducted regularly including proxy voting and engagement, across the firm. Investment teams engage with companies throughout their investment process on a broad range of issues including a company's strategy, financial and sustainability performance, risk management, corporate governance, sustainability initiatives, and capital structure.

ESG Portfolio Management is an active investor and investment teams are responsible for monitoring the performance of companies throughout the investment process. Our investment professionals actively monitor portfolio positions by evaluating company fundamentals, including sustainability management. We also approach portfolio construction using a top down, macro approach to strategic asset allocation and undertake thematic engagements with companies across the portfolio.

Monitoring of companies in which ESG Portfolio Management invests may include, but is not limited to:

1) reviewing and analyzing relevant public information published by the company (including sustainability related disclosures)
2) developing proprietary quantitative models to forecast performance, leveraging third party data services
3) conducting proprietary and reviewing external research
4) attending company presentations and/or analyst conferences
5) where appropriate, engaging directly with companies in which ESG Portfolio Management invests

6) Monitoring of external events that may impact company performance, e.g. regulatory or legal changes

As long-term investors and active owners, ESG Portfolio Management believes that good corporate governance and sustainability practices are a signal of management quality and that well-managed companies produce long-term sustainable returns. To identify strong corporate governance and sustainability practices, a range of ESG factors and sustainability performance metrics are reviewed.

Topics of engagements focus on governance best practices such as board independence and diversity. Other topics of consideration include the company's sustainability initiatives and goals, and corporate culture.

ESG Portfolio Management conducts engagement outside of the normal proxy process in response to a company headline event or to proactively discuss thematic ESG issues. The engagements are carried out through a mix of conference calls and email correspondence.

Our investment professionals regularly monitor and engage with companies throughout the investment process and maintain engagement records to track progress and to allow engagement insights to be incorporated in investment and proxy voting decisions. We update our engagement and proxy voting reports frequently and publish them at the website (www.esg-pm.com).

Risk considerations

Sustainability strategies that incorporate impact investing and/or Environmental, Social and Governance (ESG) factors could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. As a result, there is no assurance ESG strategies could result in more favorable investment performance. In general, equity securities' values also fluctuate in response to activities specific to a company. Investments in foreign markets entail special risks such as currency, political, economic, and market risks. The risks of investing in emerging market countries are greater than risks associated with investments in foreign developed countries. Fixed income securities are subject to the ability of an issuer to make timely principal and interest payments (credit risk), changes in interest rates (interest-rate risk), the creditworthiness of the issuer and general market liquidity (market risk). In a rising interest-rate environment, bond prices may fall and may result in periods of volatility and increased portfolio redemptions. Longer-term securities may be more sensitive to interest-rate changes. In a declining interest-rate environment, the portfolio may generate less income.

We consider an engagement successful when a company is receptive to our viewpoints and suggestions and takes concrete steps to implement them. In cases where a company is not receptive or where our engagements do not lead to desired results, we may cast votes against management, request meetings with board members, or write letters to boards and management. In some cases, repeated, unsuccessful engagements may contribute to a decision to decrease or exit a holding. Additionally, we may consider collective engagement as an escalation method. Ultimately, portfolio managers are responsible for interpreting and integrating information gained through engagements into their investment decision-making process, as appropriate.

Collective Engagement

ESG Portfolio Management engages with portfolio companies and generally finds that these one on one discussions are the most effective way to articulate our views to a company's management. However, we are supportive of collective engagement where such engagement appears necessary in order to materially enhance portfolio values and where we can do so in a manner that is in full compliance with applicable laws, regulations and judicial precedents. For example, we occasionally participate in collective engagements organized by relevant NGOs. In addition, as a signatory to the Principles for Responsible Investment (UNPRI) and member of other international investor networks, we have the ability to collectively engage when appropriate. ESG Portfolio Management's decision to participate in collective engagement will always consider the impact on our clients. Other considerations include but are not limited to: potential conflicts of interest, materiality of the issue, and probability of change.

ESG Portfolio Management does not seek or solicit insider information through our engagement efforts. Rather, the purpose of our engagement efforts it to obtain clarity around public disclosures and to establish productive dialogue with management and the board. All ESG Portfolio Management employees, regularly undergo compliance training regarding non-public information and conflicts of interest.

If you have any questions on this document, please contact Christoph Klein Managing Partner at ESG Portfolio Management. klein@esg-pm.com