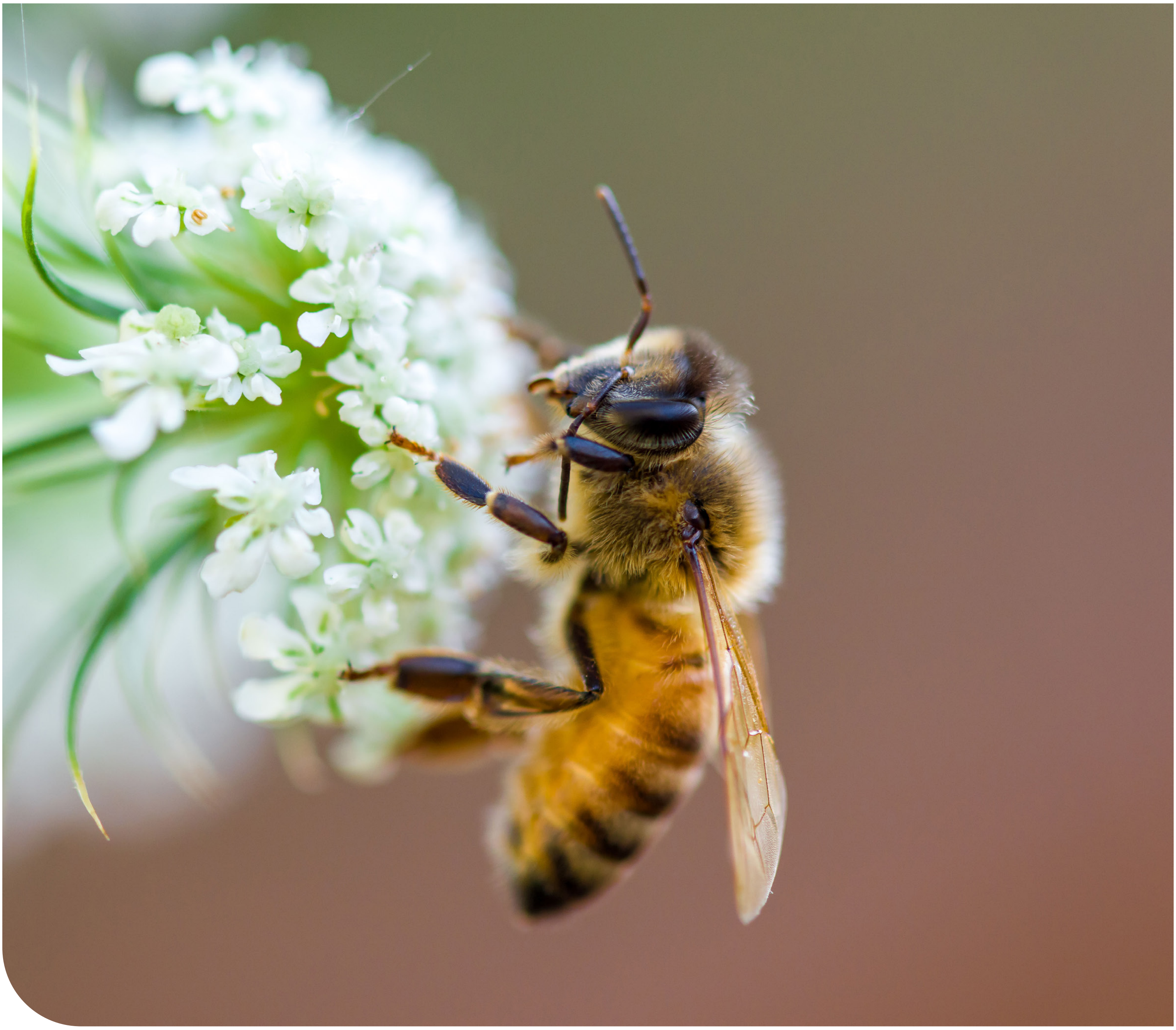
Responsible Investing

EFGAM Voting Guidelines

2021



DISCIPLINED BY NATURE. FLEXIBLE BY DESIGN.
The icons alongside represent our investment process. Through a disciplined provision of investment policy and security selection at the global level, regional portfolio management teams have the flexiblility to construct portfolios to meet the specific requirements of our clients.

HIGHLIGHTED IN THIS PUBLICATION:

GLOBAL STRATEGIC ASSET ALLOCATION

GLOBAL SECURITY SELECTION

REGIONAL ASSET ALLOCATION

REGIONAL PORTFOLIO CONSTRUCTION

EFGAM VOTING GUIDELINES

The voting guidelines contained in this document applies to New Capital funds and represents how voting is conducted under normal market conditions and are subject to change.

As an investment management firm, EFGAM has an important role to play in improving shareholder value and corporate governance through our proxy voting policies. We see the proxy voting process as being extremely relevant in our engagement with companies on a range of matters and see this process as a key part of our fiduciary duties.

These guidelines are inspired by our ESG policy and are developed to ensure consistency with the ESG framework applied to our stock selection process and our funds' portfolios.

EFGAM strives to invest in corporations that focus on long-term shareholder value creation without damaging society and the natural environment. We see corporations as complex ecosystems with an intricate net of stakeholders: shareholders, employees, communities, customers and society as a whole. Those corporations that are able to properly manage relations with these stakeholders and that can be responsive to their needs, will, we believe, deliver significant value. Those that are unable to properly manage their stakeholders can, in contrast, be expected to incur additional and substantial costs. We believe that long-term value creation will only be possible in an economically efficient and sustainable global financial system.

In this respect, we highly value transparency by companies on ESG issues. This allows investors to incorporate ESG performance into their own investment making decisions and develop a more comprehensive understanding of the overall risk profile of the companies in which they invest.

In partnership with ISS (Institutional Shareholder Services) we promote sustainable business practices including stewardship of the environment, fair labour practices, non-discrimination and the protection of human rights, according to international standards as applicable.

In addition to that, our ESG Committee recently decided to adhere to the ISS new specialty proxy voting guidelines focusing on climate-related issues, moving a step forward from the previous ISS Sustainability Proxy Voting Guidelines. Consistently with the commitment to the Task Force on Climate-related Financial Disclosure (TCFD), EFGAM will now express its voting rights according to the way the investee company's management is dealing with the risks and opportunities stemming from climate change. In practice, EFGAM may vote against directors due to failure to adequately address climate-related risks, such as poor climate-related performance or significant climate change controversies. On the other hand, shareholders proposals aiming at implementing a new climate-dedicated board committee or enhancing transparency on climate-related topics will be supported.

For these reasons we developed the following Guidelines that summarise our positions on various issues of concern and indicate how we generally vote shares.

However there may be occasions in which a fund's shares may not be voted in strict adherence to these Guidelines. These decisions will always be based on our review of the merits of the proposal and will consider relevant information and company-specific circumstances.

Our policy is subject to change without notice.

General consideration

This document covers the core of the voting topics. The topics not mentioned in this present document will be treated according to the ISS Sustainability voting policy or defined on a case-by-case basis.

For simplicity's sake, when not otherwise specified, the reasons listed below refer to votes AGAINST the specific recommendations.

The EFG voting guidelines have been inspired by the following documents:

- *ISS Continental Europe Proxy Voting Guidelines* (6 December 2018). https://www.issgovernance.com/file/policy/active/emea/Europe-Voting-Guidelines.pdf
- *ISS International Sustainability Proxy Voting Guidelines* (28 January 2019). https://www.issgovernance.com/file/policy/active/specialty/Sustainability-International-Voting-Guidelines.pdf
- *ISS United States Sustainability Proxy Voting Guidelines* (28 January 2019) https://www.issgovernance.com/file/policy/active/specialty/Sustainability-US-Voting-Guidelines.pdf
- *ETHOS 2018 Proxy Voting Guidelines Corporte Governance Principles* (December 2017) https://www.ethosfund.ch/sites/default/files/2017-12/LDPCG_Ethos_2018_EN_FINAL.pdf

1. Operational Items

Topic	Reasons to vote against
Annual reports and accounts	➡ The quality, trustworthiness, accurateness and timeliness of the documents do not meet corporate governance best practice standards. ➡ Refusal to disclose important information requested by the shareholders.
Appointment of Auditors and Auditor Fees	➡ There are doubts about audit procedures, independence or accurateness. ➡ There are doubts about the identity of the audit firm. ➡ The name of the audit firm is not disclosed before the annual general meeting. ➡ For widely-held companies, fees for non-audit services exceed either 100% of standard audit-related fees or any stricter limit set in local best practice recommendations or law. ➡ The fees paid to the audit firm exceed 100% of standard audit-related fees. ➡ External auditors can be considered somehow affiliated with the company.
Dividend allocation	➡ The income allocation seems to be inappropriate in relation to the financial situation and the long-term interests of the company by all its stakeholders. ➡ Either the dividend payout ratio has been consistently below 30% without adequate explanation, or the payout is excessive given the company's financial position.

2. Board of Directors

Topic	Reasons to vote against
Elections	➡ Insufficient information (name, etc.) about the nominee in a timely manner. Doubts about his/her integrity and independence. ➡ There have been controversial behavioural records regarding transactions with conflicts of interest or malpractice towards minority shareholder interests. ➡ The minimum corporate governance standards have not been met. ➡ Repeated and unjustified absence at board meetings. ➡ **Regional rules:** in the USA the director attended less than 75% of the aggregate board and committee meetings for the period for which they served, unless an acceptable reason for the absences is disclosed in the proxy or another SEC filing. ➡ Grouped elections, since they diminish the shareholder freedom of choice. ➡ The nominee is a representative of a significant shareholder, or belongs to other categories of the company's stakeholders (government, suppliers, creditors, etc.) that could put the board at risk of lack of independence. ➡ **Regional rules:** in Belgium, France, Italy, Netherlands, Spain, and Switzerland, the term of any director is not disclosed or it exceeds four years and adequate explanation for non-compliance has not been provided. ➡ Combined Chairman/CEO (without detailed and substantial justification), which could compromise the correct balance of power, the board independence and, instead, bring a conflict of interest. ➡ Article amendment proposals to extend director terms. ➡ The executive nominee serves in the compensation committee. ➡ **Regional rules:** In Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, and Switzerland, the number of mandates held by the nominee is more than five. ➡ **Regional rules:** In Belgium, Denmark, Finland, France, Luxembourg, the Netherlands, Norway, Spain, Sweden, and Switzerland, elections of executives who sit in the audit or remuneration committee. ➡ Any factual element (legal proceedings, shareholder resolutions, audit reports, etc.) that reveal concerns about the board's conduct of the company
Discharge	➡ Any factual element (legal proceedings, shareholder resolutions, audit reports, etc.) that reveal concerns about the board's conduct of the company.

3. Capital Structure

Topic	Reasons to vote against
Capital increase	➡ Adopt unlimited capital authorisations. ➡ The specific purpose is incompatible with the long-term interests of the majority of the company's shareholders.
Capital decrease	➡ The capital reduction is incompatible with the long-term interests of the majority of the company's shareholders.
Capital structure	➡ The creation or continuation of dual-class capital structures.
Preferred stock	➡ The creation of a new class of preference shares that would carry superior voting rights to the common shares.
Share repurchase plans	➡ The purpose of the repurchase is to defend against takeovers. ➡ The duration of the plan exceeds 18 months. ➡ In case of evidence of abuse or unreasonable conditions in light of market practice.

4. Compensation

Topic	Reasons to vote against
Formal requirements	➡ The information provided to the shareholders is insufficient or is not made available in a timely manner. ➡ The level of disclosure is insufficient and inconsistent with local market best practices.
Pay structure	➡ The remuneration plan includes guaranteed and discretionary compensation arrangements. ➡ There are significant discrepancies between the company's performance and the variable awards or real executive payouts. ➡ The compensation of the CEO and members of executive management are misaligned with peers, company performance and market practices. ➡ Proposals for the granting of stock options, performance-based equity or cash compensation or retirement benefits to non-executive directors. ➡ The compensation in any form is excessive or is not in line with generally accepted best practice standards.
Equity-based compensation	➡ The shares reserved for all share plans exceed 5% of a company's issued share capital, although exceptions are accepted and assessed on a case-by-case basis. ➡ The minimum vesting period is less than three years from the date of grant.

5. Environmental and Social issues

Topic	Decision	Reasons to vote
Director Elections	Against	➡ Material failure of governance, stewardship, risk oversight, or fiduciary responsibilities at the company, including failure to adequately manage or mitigate ESG risks.
Equator Principles	For	➡ Shareholder proposal to study or implement the Equator Principles.
ESG Compensation-Related Proposals	For	➡ Proposals to link executive compensation to environmental and social criteria.
Climate Change	For	➡ Shareholder proposals calling for the reduction of greenhouse gas emissions. ➡ Shareholder proposals requesting a report/disclosure of goals on greenhouse gas emissions from company operations and/or products. ➡ Proposals requesting that a company report on its energy efficiency policy.
Equality of opportunity	For	➡ Proposal seeking information on the diversity efforts of the company or company suppliers and service providers.
Water, energy	For	➡ Proposals requesting a company to report on, or to adopt a new policy on, water and energy-related risks and concerns.
Human rights	For	➡ Proposals requesting a report on a company's or company supplier's labour and human rights standards and policies. ➡ **Regional rules:** in the USA, shareholder proposal calling for the implementation and reporting on ILO codes of conduct, SA8000 Standards or the Global Sullivan Principles.

6. Climate Change

Topic	Decision	Reasons to vote
GHG emissions reduction and targets	For	➡ Shareholder proposals calling for the reduction of GHG emissions and/or a report to goals on GHG emissions.
Energy efficiency policy	For	➡ Proposals requesting that a company report on its energy efficiency policy.
Board committee for climate related matters	For	➡ Regional rules: in USA, shareholder proposals to establish a new board committee with oversight responsibilities on climate related matters.
Director Elections	Against	➡ In addition to the ESG risks (see 5.), directors may not be re-elected for failure to adequately address climate-related risks, realize climate-related opportunities, and improve climate-related performance..
Statutory reports	Against	➡ Financial statements, director and audit reports when the company performs poorly on climate-related performance, significant climate change controversies have occurred or a material weakness in the management and oversight of climate-related risks has been identified..

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The value of investments and the income derived from them can fall as well as rise, and past performance is no indicator of future performance. Investment products may be subject to investment risks involving, but not limited to, possible loss of all or part of the principal invested.

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