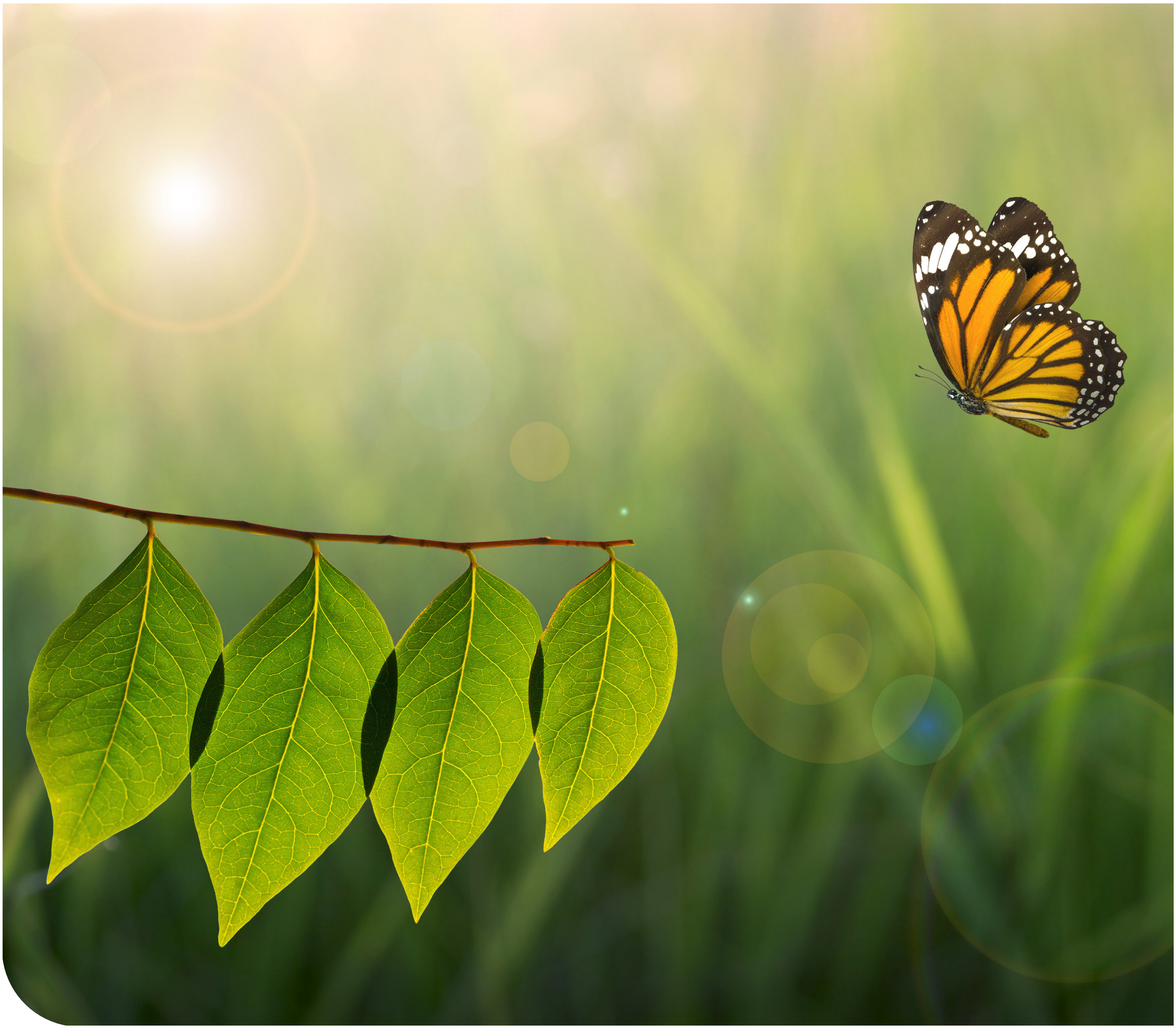
Responsible Investing

EFGAM's Engagement Policy

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

ENGAGEMENT POLICY 2021

The ESG considerations contained in this document can change without notice.

Introduction

EFG Asset Management (UK) Limited ("EFGAM") is authorised and regulated by the Financial Conduct Authority ("FCA"). EFGAM is required to comply with applicable FCA rules, including those transposing aspects of Article 3g of SRD II ("Shareholder Rights Directive II") (EU) 2017/828. SRD II seeks to promote shareholder engagement and is part of a series of EU-wide measures intended to improve stewardship and corporate governance.

EFGAM is a provider of actively managed investment products and services to professional advisers and institutional investors around the world. The investment universe that this policy relates to comprises equity and fixed income funds that EFGAM manages. Where EFGAM manages discretionary portfolios delegated by EFG Private Bank we are currently developing our engagement policies and processes to include these clients.

EFGAM strongly believes that taking Environmental, Social and Governance (ESG) issues into account when deciding and managing investments is a source of better performance potential and risk control. EFGAM affirms that high standards of corporate governance protect clients' interests, assist risk management, contribute to maximizing investor value and underpin the integrity of financial markets. Additionally, as a signatory of UN PRI, we are asked to fulfil the requirements regarding engagement as stated in the Principle 2: we will be active owners and incorporate ESG issues into our ownership policies and practices.

EFGAM supports the objectives that underlie SRD II and believes that shareholder engagement works in the best interest of clients by improving long-term returns in the companies in which we invest on behalf of our clients. SRD II sets out a series of factors which are addressed in this document which explains the extent to which EFGAM complies with them. This document integrates and develops the paragraph of the "EFGAM Sustainable and Responsible Investments policy" dedicated to engagement and represents an essential step in fulfilling our fiduciary duties to clients.

Monitoring investee companies

The universe under consideration is composed of companies invested in the equity and fixed income funds that EFGAM manages and other vehicles that utilize the same universe of companies. Our investment teams monitor current and potential investee companies by making use of both quantitative and qualitative metrics which are crucial to the investment process. These metrics are related to a company's business strategy, capital structure, financial and non-financial performance and risk and capital structure, amongst other aspects. While the strategic and fundamental features of the investee companies lie within the jurisdiction of the fund managers and analysts, matters related to the social and environmental impact as well as the corporate governance are monitored and assessed by the ESG Team on a regular basis through the ESG scores. These scores are integrated into the assessment framework used by our investment teams.

This assessment, based on our proprietary methodology and third-party data sources, enables us to identify companies with a poor rating but good improvement potential. With the purpose of protecting the value of our investment when faced with certain criticalities we perform a comprehensive examination under various parameters: the relationship quality with our fund/portfolio managers, the board structure, the invested AUM and the expected holding period in order to have a comprehensive view.

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Engagement with investee companies

Time and patience are key considerations in carrying out effective engagement. We are well aware that embracing the ESG-oriented attitude is highly demanding: this may sometimes translate into implementing new processes, innovating the corporate culture, questioning the way to do business, or "simply" changing the mindset. Our goal is not to interfere in the management of a company, we rather aim at pointing out weaknesses which could be negatively perceived by the market and therefore impact the company's future growth.

We view engagement as a privileged opportunity to exchange information for mutual enrichment. We are pleased to discuss with counterparties in order to help them align with industry best practices, which results in improved transparency and reduced investment risks.

Our engagement activities are driven by ESG analysis and materiality, but we will prioritize issues that are at the crossroads of financial materiality and the UN Sustainable Development Goals ("SDGs") in line with Figure 1 below.

We support the idea that the current global challenges addressed by the 17 SDGs, such as social inequalities, decent work and economic growth, responsible production and consumption among others, may be effectively met only with the involvement of the private sector. Before starting an engagement procedure, we draw up a scorecard on what we expect to be improved and the chances of success. This stage is essential in view of the final outcome, when the engagement achievements are measured.

In addition to this, the priority will be given to the cases affected by the rule stated in the "EFGAM Sustainable and Responsible Investment Policy" which sets out a minimum investment criterium. We won't invest in securities that fail to meet our expectations.

The first step is to build a constructive dialogue with the company. This can be initiated by contacting a company representative by e-mail or letter asking for more information. The engagement strategy will then be determined on a case-by-case basis. The subsequent events can be arranged in the form of conference calls or in-person meetings, while different levels of incisiveness may develop throughout the procedure – from a simple expression of concern to an exclusion from the investable universe. Should the outcome of our engagement attempts be unsatisfactory, divestment will be unavoidable.

Being aware that a one-size-fits-all is not the best approach, as a general rule we apply the following timeframes:

- The first contact should be made as soon as an engagement trigger is disclosed, ideally a letter should be sent within one month;
- If the company shows no responsiveness to our engagement actions within 6 months, the fund manager is asked to divest. A margin of discretion is allowed, but the divestment should be made within three months from our decision to stop the engagement.

1. ESG and the Sustainable Development Goals (SDGs)

ENVIRONMENTAL

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND

- Water use
- Waste recycling ratio
- Product impact minimisation
- Toxic chemicals
- Renewable energy use
- Transportation impact reduction
- Land use
- Biodiversity impact

etc...

SOCIAL

3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

- Product quality management
- Customer controversies
- Product recalls
- Public health controversies
- Human rights controversies
- Working conditions
- Salary gap
- Diversity and inclusion
- Suppliers social impact

etc...

CORPORATE GOVERNANCE

17 PARTNERSHIPS FOR THE GOALS

- Voting rights
- Audit committee independence
- Board structure
- Accounting controversies
- Patent infringement
- Business ethics compliance
- International Standard adoption
- Anti-competition controversies

etc...

Source: EFGAM. For illustrative purposes only. The square numbered boxes show individual SDG goals. We map these to Environmental, Social and Corporate Governance issues and list some of the key considerations which we see as most relevant.

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The engagement initiatives are approved by the Head of Investment Governance and ESG. On a case by case basis the ESG Committee and/or analysts/fund managers will be informed and/or involved. This provides a more balanced approach and reduces the risk of conflicts of interest. As a general rule:

- The ESG Committee as well as analysts will be informed about industry wide initiatives.
- The analysts or fund managers will be involved in cases of specific company engagements.
- Any other administrative non-binding tasks (request of information, etc.) will be carried out autonomously by the ESG Team.

The steps, discussions and any relevant documents supporting the engagement rationale will be communicated via our Research Management System ("RMS"). Additionally, results of the engagement activities will be available in RMS for our analysts and fund managers, allowing a proper integration of the outcomes in the underlying investment case. An assessment of engagement activities will be carried out and reported to the ESG Committee once a year.

Communication with stakeholders

We actively keep an eye on issues that could be raised by relevant stakeholders of the investee companies such as NGOs, local communities, suppliers and government since our approach considers the full scope of externalities a company may cause.

In addition, the best shareholder value can be reached and maintained in the long run only on a sustainable basis by considering all the stakeholders (customers, employees, suppliers, communities, environment, etc.) affected by a company's activities.

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Collaborative engagement

Alongside with direct engagements, we may also join collective initiatives in order to benefit from the greater influence of the combined shareholdings of all participants, which can add value on specific issues. Through various channels, such as the PRI Collaboration Platform and our network, we constantly monitor opportunities to play our part in contributing to the success of the coordinated actions. Even if we monitor and consider issues that have been clearly communicated by the relevant stakeholders of investee companies or where we believe their interests might be seriously compromised (such as controversies and boycotts) we communicate with other stakeholders only through established collaborative engagement initiatives.For the sake of transparency, our engagement activity is tracked annually in the framework of the PRI Reporting dedicated module “Listed Equity Active Ownership”, available on the PRI website, and we publish a client dedicated engagement report.

Voting

We advocate and foster our shareholders’ prerogative to play an active role in a company by exerting their statutory rights. This means expressing their preferences not only on topics such as executive compensation issues or financial strategies, but also influencing the way in which a company should be managed with respect to the ESG standards. In order to put forward our shareholders’ claims EFGAM has partnered with ISS (Institutional Shareholder Services), a world-leading proxy advisory firm. Additionally, we have subscribed to the ISS Climate Policy, which is a specialty overlay that tailors the voting recommendations to the ESG considerations focused on climate change. Our own Voting Policy is inspired by this source. For discretionary portfolios EFGAM does not retain the right to vote but instructions may be taken from clients on a case by case basis.

EFGAM, due to its size, is not a major shareholder in its invested companies nor can it exert a significant influence. Nonetheless, we believe that we have an important role to play in improving shareholder value and corporate governance. Proxy voting policies are also seen as a key part of our fiduciary duty.

The voting guidelines we approved are inspired by our ESG policy and ensure consistency with the ESG framework applied to our stock selection process and our funds’ portfolios. In this respect, we highly value transparency and clear communication by companies as these are key to assess ESG performance and to obtain a more comprehensive understanding of the overall risk profile of companies.

Conflicts of interest

It should be noted that in our clients' interest we are bound to the EFG Group Conflict of Interest Policy, which regulates the identification, assessment, reporting and control of all the risks that may lead to possible cases of conflict of interest.

Adhering to EFGAM's internal processes, conflicts of interest that arise during the course of business (such as those related to shareholder engagement) should be disclosed, and resolved in a satisfactory manner, bearing in mind that the interests of the client have priority.

Important Information

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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