

# ESG Investing and Advisory Policy State- ment



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## About Vontobel

We are a globally active investment firm with Swiss roots, specialized in wealth management, active asset management and investment solutions. Vontobel Holding AG shares are listed on the SIX Swiss Exchange and majority owned by the founding family. Their close ties to the company guarantee entrepreneurial independence, and the resulting freedom creates an obligation to assume social responsibility. As of December 31, 2023, Vontobel held CHF 264.9 billion of total client assets, served from 27 world-wide locations.

At Vontobel, we actively shape the future. We create and pursue opportunities with determination. We master what we do – and we only do what we master. With our exclusive focus on the buy-side business, we think and act purely from the client's perspective – as an investor for investors, without conflicts of interest.

We harness the power of technology to deliver a high-quality, individual client experience and to deploy our investment expertise across multiple platforms and ecosystems. We empower our employees to take ownership of their work and bring opportunities to life. We do so based on the conviction that successful investing begins with the assumption of personal responsibility. We continuously scrutinize our achievements as we strive to exceed the expectations of our clients.

## 1. Introduction and scope

This policy details how Vontobel Holding AG and its subsidiaries ("Vontobel") integrates Sustainability Risks, and Principal Adverse Sustainability Impacts in their investment decision, and advisory services. In particular, it explains with regards to Sustainable Finance our rationale, our objectives, governance structure and how we implement this policy across our business divisions.

This policy conforms to Articles 3 and 4 of the Regulation (EU) 2019/2088 ("SFDR"). For the management of Sustainability Risks, it builds on the principles of the Sustainability/ESG Risk Framework as described in our respective internal policy.

It builds on internationally recognized standards for due diligence and reporting, in particular the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. In addition, Vontobel adheres to voluntary due diligence, and reporting standards, including UN Global Compact and GRI's sustainability reporting framework.

This policy reflects our current approach, and we expect that this policy will evolve over time to reflect changes in business practices, business structures, technology, and the law.

This policy was last updated on 1st February 2024.

### 1.1. Our commitment to ESG investing

As a globally active investment manager, Vontobel recognizes that it has a responsibility towards its stakeholders to play an active role in the sustainable transformation of the economy and society for future generations. Vontobel therefore wants to engage in a dialogue with stakeholders about the challenges ahead and to show how this transformation process is creating unique opportunities for investors.

As an active investment firm, Vontobel considers that the integration of environmental, social and governance (ESG) factors into our products and services is a key part of our sustainability strategy. We incorporate ESG criteria into investment decisions with the aim to empower our clients to build better futures.

We focus on active asset management based on a multi-boutique model with highly specialized investment teams and dedicated ESG analysts. Our investment teams subscribe to four common ESG investment principles because we believe that ESG consideration is part of our fiduciary duty, requires investment team accountability, and demands transparency. For this reason, our investment teams subscribe to Vontobel's four ESG Investment Principles:

1. We incorporate ESG considerations into our investment processes to enable our clients to better achieve their investment objectives.
2. As active managers, we leverage the tools of engagement and voting.
3. Our investment teams are accountable for the application of our ESG Investment Principles.
4. We are committed to transparency through disciplined disclosure, reporting and dialogue with all our stakeholders.

This foundation enables us to offer a wide range of ESG investment solutions, in response to our clients' desired

investment objective(s), which can be any one, or a balance of, the following:

1. Optimizing risk-adjusted performance through the consideration of financially material ESG issues;
2. Mitigating negative environmental and social impact from investments; and/or
3. Investing in companies that provide products and services that aim to actively and positively contribute to the UN Sustainable Development Goals (SDGs).

#### 1.1.1. Memberships and initiatives

As part of the finance ecosystem, Vontobel believes in the value of collaborating with other investors. Therefore, Vontobel actively works in industry associations in order to advance ESG investing practices and is an active participant in initiatives, such as:

— Principles for Responsible Investment (PRI).

Supported by the United Nations, the PRI is an international network of more than 3,000 financial services providers working together to contribute to the development of a more sustainable financial system.

— Swiss Sustainable Finance (SSF).

SSF strengthens Switzerland's position in the international marketplace for sustainable finance by informing, educating and supporting growth. Vontobel is a founding member of SSF and played a significant role in establishing the organization.

— Global Impact Investing Network (GIIN).

Impact investments aim at creating measurable social and environmental impact alongside a financial return. GIIN is dedicated to increasing the scale and effectiveness of impact investing. This membership gives us the opportunity to network with experts globally and to exchange experiences.

A full list of our memberships and initiatives is available at [vontobel.com](http://vontobel.com).

### 1.2. Rationale and objective

The world is facing powerful trends involving major economic, environmental and social changes. These trends result in risks and opportunities for investors. Through the incorporation of ESG considerations into our investment processes, we aim at improving the long-term risk-return characteristics of our portfolios and/or at reflecting clients' values.

We strongly believe an effective identification of material sustainability risks and opportunities requires thorough analysis because material ESG factors are often of a medium to long-term nature and are difficult to quantify as contributors to near term performance. For this reason, we emphasize the importance of transparent communication if, and how, material ESG considerations influence the decision making of our investment managers and advisors as outlined in section 3 of this policy.

In the context of sustainability risks and opportunities, climate change is a relevant example. Vontobel believes that high-greenhouse gas emitting and extractive industries (e.g. thermal coal, oil sands and coal power generation) can introduce significant risks to a portfolio, particularly in the context of

potential for new regulation, taxation or other constraints. On the other hand, today's problems motivate companies to provide innovative solutions leading to potential new investment opportunities (e.g., reduce air pollution).

### **1.3. Definitions**

We acknowledge that there is no standard approach to ESG investing, but different approaches serving different client needs.

“Sustainability Risk” is defined by SFDR, Art. 2(22) as an “environmental, social, or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment”.

Principal Adverse Sustainability Impacts are those impacts of investment decisions, or investment advice that result in negative effects on “sustainability factors”, i.e. “environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters” (see Recital 20 SFDR in connection with Art. 2(24) SFDR).

### **1.4. Scope**

This policy covers all legal entities of Vontobel unless otherwise specifically stated. It applies to all actively managed assets and discretionary/proprietary investment decisions by Vontobel as well as our advisory services with regards to investment proposals to clients. It excludes assets and products that are issued or held at the explicit request of our clients, including but not limited to: hedging positions, «execution only» business (custody assets/external asset managers), and transaction banking/products issued or traded at explicit client request (in particular in relation to structured notes).

## **2. Sustainability/ESG Governance**

### **2.1. Corporate Sustainability Committee**

The Corporate Sustainability Committee (CSC) has a delegated authority from the Executive Committee of Vontobel to oversee and govern the firm-wide sustainability/ESG initiatives, including the ongoing activities (“run”) and oversight of the “change”, with a particular focus on the firm’s six Sustainability Commitments (see Appendix 1 for details). It ensures compliance of all entities with the firm-wide risk appetite with regard to ESG risk.

This includes the implementation of the Sustainability Commitments, implementation of regulatory frameworks, and measures to prevent any “greenwashing” from occurring.

### **2.2. Investment Management Committee**

The Investment Management Committee (IMC) has a delegated authority from the Executive Committee of Vontobel to provide leadership and set the strategic direction for Investments. Sustainability/ESG implementation within Investments is managed by the respective investment boutiques under the Investment Management Committee and reported to the CSC.

### **2.3. ESG Investment Forum**

The ESG Investment Forum (“ESG-IF”) is a delegated subordinated forum of the CSC and all investment boutiques under the IMC are part of this forum. The ESG-IF has a coordinating role within Investments on ESG related topics in the

investment process. This includes setting common standards for ESG across investment boutiques with respect to product classification and product labelling. The chair of the ESG-IF is represented in the CSC.

## **3. Implementation of this policy**

### **3.1. Group Level exclusions**

Vontobel prohibits investments in manufacturers / producers of controversial weapons. In addition, Vontobel will not provide any investment advice on the securities of these companies to clients.

Vontobel considers the following weapon types as controversial weapons:

- Anti-personnel mines (Ottawa Treaty (1997)),
- Cluster munitions (Convention on Cluster Munitions (2008)),
- Chemical weapons (Chemical Weapons Convention (1997)),
- Biological weapons (Biological Weapons Convention (1975)),
- Non-Detectable Fragments (Protocol I of the Convention on Certain Conventional Weapons (1980)),
- Incendiary Weapons (Protocol III of the Convention on Certain Conventional Weapons (1980)), and
- Blinding Laser weapons (Protocol IV of the Convention on Certain Conventional Weapons (1980)).

The list of prohibited companies is made available by the Vontobel Corporate Sustainability Management team to all staff responsible for investments on a quarterly basis.

### **3.2. Center of Excellence - Investments**

Dedicated investment managers are responsible for the management of ESG investment solutions based on their specific investment approaches and processes, including ongoing monitoring within their defined risk frameworks. As an active multi-boutique asset manager, each boutique tailors its investment and ESG approach independently according to the requirements of the asset classes in which it invests and its own sustainability strategy. Investment approaches, and processes as well as external partners (data providers) are regularly reviewed by the ESG-IF.

#### **3.2.1. Boutique- or portfolio-level exclusions**

Vontobel ESG investment solutions may exclude investments into companies from a broader range of business activities than given on the Vontobel-wide list of controversial activities. Clients may also opt to provide their own list of exclusions, on agreement with their manager.

#### **3.2.2. Assessment of Sustainability Risks and Principal Adverse Sustainability Impact**

The investment teams manage a variety of investment strategies, including many where ESG forms an integral part of the investment process (as defined and applied by the relevant investment boutique). In these strategies:

- The analyses of sustainability risks and opportunities is an integrated part of the investment process. More information on the specific investment approaches and processes can be found at [vontobel.com](http://vontobel.com).

- The relevant boutique exercises voting rights and engages with companies in order to improve their business practices in the belief that this will help generate better long-term risk-adjusted results. For more information, refer to section 3.2.4.

Critical controversies, and breaches of international norms (collectively 'Critical ESG Events') are often related to Principal Adverse Sustainability Impacts such as significant negative impact on the environment, forced labor, or child labor. Moreover, these instances can signal insufficient management of sustainability risks by a company or a government and excessive harm to society or the environment, which is beyond the tolerance of many of Vontobel's investors and stakeholders.

To identify and monitor Potential Critical ESG Events (PCEE), Vontobel investment teams are provided with ESG data and assessment methodologies from external ESG data providers such as MSCI or Sustainalytics. The ESG assessment methodology of such providers typically takes into account the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the ILO Core Conventions, and the UN Global Compact (UNG). A full description of the respective ESG rater's methodology can be found on their webpages.

The data obtained from third-party data providers may be incomplete, inaccurate, or unavailable. As a result, there exists a risk of incorrectly assessing a security or issuer, resulting in the incorrect inclusion or exclusion of a security.

To properly understand the impact and validity of PCEE, investment teams conduct their own research to assess their impact on the relevant portfolio and on wider stakeholders.

Securities of issuers will be excluded when Vontobel confirms Critical ESG Events and determines that the issuer's activities cause excessive harm to society or the environment, such as through violations of international norms and standards mentioned above, or as a result of involvement in critical controversies, including those related to governance matters. However, Vontobel recognizes that excluding such issuers may not always be the best approach to mitigate the adverse effects of their activities. In these cases, Vontobel will monitor these issuers, where it believes that reasonable progress can be attained, for example, through active ownership activities.

### **3.2.3. Climate Change**

We are mindful of industries with high greenhouse gas emissions for the reasons mentioned in section 1.2. Some investment strategies therefore exclude carbon intensive and extractive investments altogether while others consider risks of these investments on a case-by-case basis as an integrated part of their investment process. Moreover, we offer specific investment strategies with the aim of mitigating climate change; Vontobel manages different products enabling clients to invest in companies contributing positively to social or environmental issues.

For a number of products, we actively monitor and regularly disclose specific ESG information including a carbon footprint and other climate related performance indicators.

### **3.2.4. Active ownership**

We believe that voting and engagement can have a positive impact on a company's long-term returns by influencing its values and behavior and can strengthen its longer-term contribution towards building more sustainable economies and societies and protecting the environment. If agreed, we may exercise voting rights in the best interest of our clients.

We use both direct engagements, which are undertaken by our investment and ESG professionals, as well as indirect engagements, which are undertaken by professional third parties. Our analysts and portfolio managers directly engage with the management of investment companies on relevant sustainability topics as part of their fundamental research activities. Engagement includes one-off, ad-hoc, or on-going objective driven communication with the investee's management team on sustainability related issues. This can range from sustainability related updates and questioning of the business model, to targeting on specific issues that may cover ESG concerns.

Our engagement processes are detailed in our Engagement Policy Statement.

Vontobel recognizes that portfolio management of stocks, may include an obligation to vote in relation to the stock. If authorized to do so, Vontobel 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. To fulfil this responsibility, Vontobel has implemented a Voting Policy.

The respective policies can also be found on our webpage: <https://am.vontobel.com/en/esg-investing>

### **3.2.5. Mandate offering for private clients**

In wealth management Vontobel offers discretionary mandate solutions for multi and single asset mandates based on the client's needs and preferences for ESG investing. Vontobel has developed its own ESG Framework which offers the basis for the classification of investment instruments and client preferences. The ESG classifications are divided into the following three standards:

- Risk-adjusted performance: optimizing risk-adjusted performance through the consideration of financially material ESG issues. This is the minimum standard which, unlike the other ESG classifications, does not pursue any explicit ESG objectives.
- Mitigation of negative effects: mitigating negative environmental and social impact from investments. This is the middle standard, which builds upon the previous classification, and on top of it excludes certain sectors and companies that have a negative environmental and/or social impact measured by predefined indicators.
- Positive contribution: investing in companies that provide products and services that aim to actively and positively contribute to the UN SDGs. In this classification in addition to the consideration of ESG risks and the exclusion of certain sectors and companies, a focus is placed on

investments in companies that have a positive impact on the environment and/or society.

Within the Vontobel investment universe an instrument is either assigned to one of the three ESG classifications, or it is categorized as an instrument which is not covered or not recommended. Discretionary and advisory mandates are available for each ESG classification to match our clients' ESG preferences.

The ESG Framework is continuously being reviewed to adapt to the changing market conditions and regulatory requirements. It is modified in accordance with the applicable client's domicile and protection level, and corresponding regulatory requirements.

## **Appendix 1: Vontobel's six Sustainability Commitments**

### **1. Climate & Environment**

**Taking significant steps to reduce greenhouse gas emissions across our operations and in our banking and trading books..**

We are taking significant steps to reduce greenhouse gas emissions across our operations and in our banking and trading books. In doing so, we aim to contribute to the goals outlined in the Paris Agreement<sup>1</sup>. We have set interim targets for our decarbonization pathway for the bond investments in our banking and trading books and aim to offset all our operational emissions for Scopes 1-3. We strive to continue to improve our practices and report meaningful progress to our stakeholders.

### **2. Equality, Diversity & Inclusion**

**Continue creating a great workplace where everyone can thrive.**

Our work practices advance equality, diversity, and inclusion and foster a workplace environment where everyone has the opportunity to develop and reach their full potential. Mutual respect and openness, without discrimination, shape our culture.

### **3. Governance & Transparency**

**Empower our stakeholders to challenge us through governance and transparency.**

We see transparency as a key tool for empowering our stakeholders to track how we deliver on our sustainability ambitions. We see good governance (the “G” in ESG) as a key mechanism to ensure delivery of our ESG strategy, at both the product and corporate levels. We report on our sustainability-related performance using state-of-the-art reporting standards.

### **4. Advice for Private Clients**

**Advise our private clients on the benefits, opportunities and risks of ESG investments.**

We advise our private clients on the benefits, opportunities and risks of ESG investments to help them build portfolios that meet their beliefs and needs. Thus, we want to offer them an ESG product shelf to choose from. Our Private Clients ESG framework sets the basis to map our ESG investment solutions to individual client ESG preferences.

### **5. Investment Solutions**

**Incorporate ESG consideration into active investment decisions.**

We believe that ESG consideration is part of our fiduciary duty, requires investment team accountability and demands transparency. For this reason, our investment teams subscribe to four ESG Investment Principles. This foundation enables us to offer a wide range of ESG solutions, in response to our clients' desired investment

objective(s), which can be any one, or a balance of, the following:

1. optimizing risk-adjusted performance through the consideration of financially material ESG issues;
2. mitigating negative environmental and social impact from investments; and
3. investing in companies that provide products and services that aim to actively and positively contribute to the UN Sustainable Development Goals (SDGs).

### **6. Community Engagement**

**Be an active member of the local community.**

Vontobel operates with the spirit of citizenship to foster quality of life in the places we live and work. We do this by providing jobs and enabling and encouraging our employees to play an active role in their local communities. Vontobel and the charitable Vontobel Foundation have sponsored projects in the areas of social welfare, medical research, nature and culture since 1993.

<sup>1</sup> In this context, we specifically refer to Article 2, Paragraph 1. (a) of the Paris Agreement as adopted in December 2015, which states: "Holding the increase in the global temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit

the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce risks and impacts of climate change".