

Engagement Policy

Gothaer Asset Management AG

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Engagement Policy

Gothaer Asset Management AG (hereafter GoAM) believes that all companies contribute to the achievement of global environmental and social objectives through the policies they implement. As such, we strongly believe that an active stewardship strategy, whereby, we engage with investee companies on material ESG issues is key in gaining a deeper understanding of these businesses. Engaging with investee companies, allows us to present our views, request for positive change as well as track and monitor the engagement results.

Our Engagement focuses, but is not limited to the following key themes:

- Climate Change
- Water
- Biodiversity
- Gender Equality
- Human Rights
- Labour rights
- Controversies and breaches of international norms
- Corruption

Frameworks set by the UN Principles for Responsible Investment, Net- Zero Asset Owner Alliance as well as other industry initiatives, which we support, guide our engagement approach.

Most engagements tend to focus on traditional listed assets, which include equities and fixed income, as these instruments already have established market benchmarks and norms. However, as part of our integrated responsible investment approach, we also acknowledge the importance of engagement in alternative investments such as private equity, real estate and infrastructure. This engagement policy is therefore aimed at setting minimal norms expected from the companies we invest in across all asset classes.

Engagement process

The process begins with a target list of companies based on research and data to identify laggard companies for each theme being sent to GoAM by the engagement service provider. For each theme, specific engagement objectives and key performance indicators to measure impact and level of success are defined. For companies on the target list, letters are sent outlining clear expectations from investors. Companies are then invited to enter into a dialogue with the pool of investors, whereby the engagement service provider facilitates and organizes meetings to discuss the company's perspectives and progress. GoAM may choose to join these meetings. On a quarterly and annual basis, GoAM will be provided with an outcome-focused report and updates regarding all engagements.

Depending on the subject, engagements are conducted over a period of one or two years. At the end of the engagement cycle, it will be assessed whether to extend or close the engagement.

Monitoring and escalation

The ESG team alongside portfolio managers is responsible for tracking the engagement progress and informing the portfolio managers. Through a robust methodology, the engagement service provider tracks the progress and success of each engagement and provides regular updates and engagement statistics via quarterly reports. Annual reports will also be available which will highlight examples of positive change and the overall trends for each topic.

For each of the engagement themes, a specific goal is set focusing on one or more of the following areas;

- Improvement of public disclosure by the investee companies in order to enable more enhanced investment decision making by the investors

- Compliance and or remediation with laws/standards/norms
- Mitigation of material ESG risks and creation of positive change

In the engagement letter sent to the investee companies investors' expectations are clearly outlined and information on benchmark as well as reference to specific standards/norms are referred to, whenever appropriate. For each engagement, objective regular assessment details will be undertaken to measure success.

The response of the companies will be noted and aggregated to produce an overall engagement assessment.

In case engagement does not lead to the desired outcome, the case will be discussed to decide, whether divestment represents the best option under the given circumstances. This depends inter alia on the severity of issue, reasons for a negative company response and possible means to influence the company via alternative actions in the future. Decisions to retain such companies in the portfolio can only be made after consultation with the members of ESG Committee. In controversial cases, a vote in the ESG Committee is required.

Collaborative engagements

Besides engagement through our engagement service provider, we strive to collaborate with other investors, since we believe that it can be a powerful and effective engagement tool. For topics, which GoAM has identified as priorities, we assess if there are available collaborative engagement platforms. The different forms of collaborative engagement include co-signing letters to companies and governments or participating in investor group engagement meetings. GoAM joined Climate Action 100+ and UN PRI collaborative engagement, where we aim to support different initiatives.

Engagement with external Managers

A significant portion of GoAM's financial assets is managed externally. This is especially the case for alternative investments. We attach great importance to active cooperation with external managers and try to influence the sustainability activities of our external managers through regular dialogue and contractual obligations. The possibilities and strategies for exerting influence vary depending on the respective investment structures and the phase of the business relationship (due diligence, contractual negotiations, after signing the contract etc).

Reporting and Transparency

GoAM is committed to providing regular reporting and transparency regarding its engagement activities both internally and externally. The Annual reports will be published with the intention of demonstrating the impact of our engagement during the current year.

Voting

GoAM considers voting to be a crucial aspect of the investment process and provides an opportunity to influence the company. Our voting and engagement processes complement each other. More information on our voting can be found on our website.