J. SAFRA SARASIN
Sustainable Private Banking since 1841

Active Ownership Policy of Banque J. Safra Sarasin (Luxembourg) SA

Sustainable Investment Research

2020

30 YEARS of SUSTAINABLE INVESTMENTS

Contents

Active Ownership at Banque J. Safra Sarasin (Luxembourg) SA

As a sustainable, long-term oriented asset manager, Banque J. Safra Sarasin (Luxembourg) SA (the "Bank") understands its role as advocate on behalf of its clients. In the role of managing clients' assets, the Bank has a fiduciary duty to make investment decisions that are in clients' best interests and seek to maximize the value of their investments. Active Ownership, comprising of engagement and proxy voting activities, is an integral part of this process. The Bank aims to foster robust corporate governance structures and shareholder rights within investee companies, as well as strong social and environmental performance and transparency. The Bank also treats voting rights as having economic value and exercises them accordingly. Ownership activities aim at promoting sustained profitability and risk management in investee companies, in order to protect shareholder value, enhance long-term returns and contribute to the long-term success of our investment strategies.

Active Ownership

This Active Ownership policy outlines the Bank's approach to engagement and voting activities, the principles that guide these activities and the goals that they aim to achieve. We highlight the link to our sustainable investment research methodology and to internationally accepted guidelines and norms, as well as our engagement and voting process and our commitment to transparency. The Active Ownership policy is anchored in the Bank's overall Corporate Sustainability Strategy. It represents a cornerstone of the Bank's five strategic sustainability objectives to incorporate sustainability considerations into its core investment activities.

The Bank's active ownership approach is to support long-term, sustainable development. As an active owner, we incorporate environmental, social and governance (ESG) issues into our investment ownership policies and practices and seek to reduce the negative impact on society and the environment and to promote sustainable growth.

The key principle of our sustainable investment activities and Active Ownership approach is to enhance long-term share-holder value by promoting good corporate governance and strong social and environmental performance. As a fiduciary to shareowners, we understand our role as investor advocate in making investment decisions that are in our clients' best interests and seek to maximize the value of their investments.

The scope of this policy comprises all sustainable investment strategies managed in-house at Banque J. Safra Sarasin (Luxembourg) SA and increasingly other in-house investment products. This policy does not cover externally managed mandates. Through access to transparent communication and reporting, clients have access to our Active Ownership activities.

International Guidelines & Norms

Our overall sustainable investment approach incorporates a number of widely accepted international conventions and standards, including but not limited to:

- Principles for Responsible Investment (PRI)
- United Nations Global Compact (UNGC)
- OECD Guidelines for Multinational Enterprises
- United Nations Universal Declaration of Human Rights (UDHR)
- United Nations Guiding Principles on Business and Human Rights (UNGPs)
- Children's Rights and Business Principles (CRBP) (UNICEF, UN Global Compact and "Save the Children")
- International Labor Organization Conventions on International Labor Standards (ILO)
- United Nations Convention against Corruption (UN-CAC)
- Convention on Cluster Munitions (CCM), supported by the United Nations

In addition to the above norms, the following principles, which are specific to governance, are especially relevant within the context of our customized proxy voting guide-lines:

- OECD Principles of Corporate Governance
- ICGN Global Governance Principles

- European Shareholder Rights Directive, European Union
- Swiss Code of Best Practice for Corporate Governance, Economiesuisse

We conduct norms-based screening and exclude companies that violate human rights from the sustainable in-vestment universe. Since we do not invest in such companies from the outset and instead focus our Engagement activities on covered companies and holdings, normally our Engagement discussions do not revolve around severe violations of international norms.

Active Ownership Types

The Bank pursues four types of Active Ownership activities:

- Direct Company Engagement
- Collaborative Engagement
- Public Policy Engagement
- Proxy Voting

Direct Company Engagement

By entering into a direct dialogue with investee companies, we aim to increase the long-term value on behalf of clients. The Bank's investment professionals discuss company-specific matters, including strategy, capital structure, financial and non-financial risk and strategic ESG considerations directly with top management and thereby aim to strengthen the investment cases. Direct Company Engagement comprises five steps:

Step 1: Screening & Selection

As an initial step, we monitor the research universe, which we determine using our Sustainable Rating Methodology [1]including portfolio holdings. By checking for worst-practice companies on particular ESG topics, or looking for outliers and special patterns such as a sudden drop in the ESG credentials of a company, we systematically select Engagement cases and topics for a given company.

Our analysts perform this step by combining several criteria and sources to identify ESG concerns, including descriptions of business practices, news, controversies and other sources, to identify respective engagement questions. Controversies such as a toxic spill and other severe negative ESG events lead to reactive engagement. In the selection of our engagement cases, we strive to be focused and impactful. Therefore, our focus lies on the largest holdings and on the most important sector-specific risks. This process results in a shortlist of engagement priorities.

Step 2: Dialogue

In step two of the Engagement process, we initiate and con-duct the actual dialogue with the company. To set parameters that define the Engagement case, we chose milestones and set objectives. Such milestones can comprise of access to detailed information, enhanced public disclosure or a clear commitment by the company to change business practices in order to address ESG concerns.

The Engagement can take the form of, or be a combination of, the following communication channels:

- One-on-one meetings, preferably with management, board members, CSR team, Investor Relations) or on-site visits
- Phone calls
- Written correspondence via e-mail or letter

Analysts gather insights as a result from this interaction.

Step 3: Evaluation

In this step, we conduct the evaluation of the Engagement outcome, determining success based on the following categories:

- Goal achieved
- Goal partially achieved
- No change/answer, which implies that the Engagement failed

As a result, we provide a classification overview of the con-ducted Engagement.

Step 4: Conclusion

In step four, analysts decide whether the Engagement can be considered to be concluded or whether it requires follow-up. All new information that results from the dialogue in Step 2 flows into the company's sustainability rating.

If an issuer does not respond or fails to respond in a satisfactory manner to our engagement efforts, analysts may adjust the respective internal ESG rating, which may result in the company no longer being part of the Bank's sustainable investment universe. Such a downgrade

[1] See Sustainable Rating Methodology explained on page 7 of this document.

would eventually result in the sale of the company holding. The same process applies to cases of human rights breaches. Furthermore, our sustainability ratings can directly trigger divestment if a company's sustainability rating falls below a certain threshold. Because our overall sustainable investment research approach incorporates a divestment strategy, Engagement and Voting efforts are a complementary process. However, in the event that the sustainability issues are or are perceived to be materially damaging to the investment case, the Bank's sustainable investment research team would trigger steps for divestments from the company immediately.

As a result, this process leads to a decision about what next steps to pursue. It could be a downgrade that might lead to divestment, or enhanced transparency that might lead to an upgrade of a company and an inclusion in the sustainable investment universe.

Step 5: Communication

In step 5 of the process, we measure and communicate the impact of the Engagement. For this purpose, we use qualitative or quantitative metrics or changes in our ESG ratings. We report Impact, such as upgrades or downgrades following specific Engagement activities on a regular basis.

It is important to highlight that Bank strives to be as transparent as possible without putting the success of a Company Engagement at risk. This may result in some company-specific details to be omitted when reporting on engagements.

Collaborative Engagement

We also work together with other (institutional) investors to engage with companies about ESG practices. This approach is particularly effective around ESG issues that affect an industry as a whole, e.g. access to medicine, deforestation, etc., where approaching companies with a unified voice is likely to enhance the impact of the engagement activity.

The Bank is active through the PRI, which is the largest global platform for Collaborative Investor Engagement activities, and is a member of the Carbon Disclosure Project (CDP). These organizations help investors in building up knowledge and skills and give broader access to information. Additionally, as deemed relevant and possible, the Bank will engage with other stakeholders of investee companies such as members of civil society.

For our Collaborative Engagement activities, the following se-lection criteria are relevant:

- Relevance to our sustainable investment approach ("materiality") and specific sustainable investment offerings
- Ability to create impact
- Relevance to sustainable development more generally
- Relevance to the development of our in-house analysts expertise

Public Policy Engagement

The Bank also conducts public policy engagement on an industry level. It does this through involvement in leading sustainable investment initiatives and organizations such as Eurosif and Swiss Sustainable Finance (SSF), fostering contacts with politics and other stakeholders to promote consideration and integration of relevant ESG themes on a regulatory level. It is the Bank's belief that public policy strongly affects the sustainability and stability of financial markets and plays an important role in regulation, as well as in the relationship between companies, investors and society in general.

Proxy Voting

The Bank considers proxy voting the second component of our Active Ownership approach. We exercise voting rights for all sustainable investment funds and on behalf of clients. The Bank has its own, customized Proxy Voting Guidelines that reflect our overall sustainable investment approach and systematically incorporates ESG aspects. The customized guidelines are implemented and executed via an external proxy voting web platform with the assistance of a proxy voting advisor. We use Institutional Shareholder Services (ISS) as main provider for research on general meetings and voting services.

Based on our approach, we have a set of key aspects that determine our Proxy Voting activities. These key aspects are in line with our sustainable investment research methodology. The majority of Proxy Votes comprise corporate governance issues that we have identified through in-house and external research. There is evidence to suggest that the appropriate consideration of such issues reduces the overall risk profile of a portfolio holding significantly. Our proxy votes incorporate and emphasize these identified aspects. As a sustainable asset manager, we have a strong focus on key ESG aspects as outlined in this document.

Among other, our guidelines take into account that shareholders must have the final say over how management and directors are performing and should be compensated, and how stakeholders' rights and shareholders' interests are handled, especially when matters have strong financial implications for shareholders. Therefore, we pay particular attention to the overall Engagement principles in exercising Proxy Voting responsibilities as a fiduciary duty for our clients.

Financial transactions submitted to shareholder vote (i.e. acquisitions, mergers, assets disposals, etc.) are evaluated on a case-by-case basis. Equally, environmental and social voting items, in particular in the form of shareholder proposals, are also referred for in-house voting. With this structured set-up, we have a well-established process in which sustainable investment analysts and portfolio managers work together in the best interest of our clients.

Customized voting guidelines
Following our approach as an active shareholder and in line with our understanding that integrating ESG issues into our investment decisions is a fiduciary duty, we do not exclusively rely on the default vote recommendations from proxy advisors, but have set up our own customized voting guidelines. We strongly believe that proxy voting should be aligned with in-house fundamental research. Our customized voting guidelines and in-depth knowledge of ESG issues facing companies allow us to determine the options, which we identify as most favorable for our clients. We nevertheless use the valuable services of a proxy advisor to obtain additional research insights on upcoming AGM and EGM agenda items, to execute our votes and to source the relevant results for reporting purposes.

Governance
This takes into account the corporate governance structure of companies, as well as their corporate behavior.

- Board structure, composition, experience & effectiveness: The focus lies on basic governance structures, such as overall board independence, the independence of key committees, and the composition of board leadership. Individual directors' qualifications and experience, including cases of executive misconduct, as well as areas of concern such as attendance and "overboarding" (where otherwise highly qualified individuals compromise their effectiveness by serving on too many boards) are also addressed within our customized guidelines.
- Ownership structure & shareholder rights: this takes into account the Company's ownership structure and takeover defenses. Additionally, we review ownership rights that enable investors to act collectively, such as rights to call special meetings or act by written consent, and the provisions impeding shareholder rights, such as voting rights limitations and the ability of shareholders to approve charter and bylaw amendments.
- Business ethics & fraud, anti-competitive practices, corruption and instability: we monitor and incorporate the company's corporate behavior into our voting decisions.
- Executive pay practices: this involves examining CEO and other executive pay practices, including specific pay levels and figures. We evaluate pay levels against peers, as well as specific features of the pay program design.

Environment
We review environment-related shareholder proposals on a case-by-case basis and focus on those aspects that we consider most material. Besides considering specific key aspects, we recognize the adoption of specific environmental policies, the adoption of specific environmental performance and measurements, and corporate sustainability.

Our proxy votes concerning environmental questions take in-to account the following key issues:

- Climate Change: the focus lies on carbon emissions, energy efficiency, product carbon footprint, financing environmental impact and climate change vulnerability.
- Natural Resource Use: here we take into account water stress, biodiversity and land use, and raw material sources.
- Pollution & Waste: we review waste and toxic emissions, packaging material, as well as recycling, among other.

- Environmental Opportunities: beside environmental risks, especially opportunities in clean tech, green building and renewable energy are considered.
- Transparency: the focus lies on structured and transparent reporting on all environmental management activities.

Social

We review society-related shareholder proposals on a case-by-case basis and focus on those aspects that are most material. Among other, they are based on the following key issues:

- Human Capital: here we focus on labor management, health and safety aspects, human capital development, and supply chain labor standards.
- Product Liability: this key social aspect includes product safety and quality, chemical safety, financial product safety, privacy and data security, responsible investment, and health and demographic risk.
- Stakeholder Opposition: the focus lies on controversial sourcing practices.
- Social Opportunities: besides social risks, we take into account social opportunities. Here we look at access opportunities to communication, finance, health care, nutrition and health, for example.
- Transparency: the focus lies on structured and transparent reporting of social activities.

Organizational Structure and Responsibilities

In exercising the responsibilities listed below, we can combine several perspectives and form well-researched opinions on ESG themes as well as companies and their ESG profiles, which is the basis of every meaningful Engagement and Voting activity.

While we conduct our Engagement activities at the issuer or public policy level and the scope of Engagement includes all asset classes, Proxy Voting only relates to equity holdings.

Commitment to Reporting

Our process aims to be transparent and clearly structured. All sustainable investment analysts with their in-depth knowledge about specific industries and companies are involved throughout the whole process.

We aim at transparent internal and external reporting. Engagement and (Proxy) Voting activities are tracked and are communicated periodically (at least on an annual basis) through various channels. The Bank's annual report contains a high-level summary of our Engagement and Voting results.

The documents are publicly available, some of them are sent directly to clients. Additionally, clients may obtain detailed information about how the Bank voted proxies on their be-half by contacting their client relationship manager.

Summary

Active Ownership is an integral part of the Bank's overall sustainable investment approach. Good corporate governance and strong social and environmental performance enhance long-term shareholder value. We are investors' advocates and have a fiduciary duty to make investment decisions that are in our clients' best interests. Hereby we give clients a voice with their voting rights in financial markets. Our owner-ship activities aim at promoting sustained profitability and risk management in invested companies in order to protect shareholder value and enhance long-term returns. In our communication with clients and other interested parties, we transparently report on our activities.

The Bank will continuously aim to improve and optimize its Active Ownership activities to be effectively fulfilling its responsibilities towards clients and other interested parties.

Conflicts of Interest

As an institution providing its clients with a variety of services, it is not always possible to avoid all conflicts of interest. The Bank has made arrangements to prevent an adverse impact on clients' interests.

A conflict of interest may arise as a result of opposing interests between the Bank (or other Group companies, executive bodies or employees) and its clients, or between two or more of the Bank's clients.

Despite all the efforts to recognize and to avoid conflicts of interest, circumstances may arise where the measures taken may not be adequate to rule out with sufficient certainty a conflict of interest situation. In such cases, the Bank will dis-close the conflict of interest to the client before effecting any transaction or at the beginning of a service.

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Sustainability Rating Methodology

The environmental, social and governance (ESG) analysis of companies is based on a proprietary assessment methodology developed by the Sustainable Investment Research Department of the Bank. All ratings are conducted by in-house sustainability analysts. The sustainability rating incorporates two dimensions, which are combined in the Sarasin Sustainability- Matrix®:

- Sector Rating: Comparative assessment of industries based upon their impacts on environment and society.
- Company Rating: Comparative assessment of companies within their industry based upon their performance to manage their environ-mental, social and governance risks and opportunities.

Investment Universe: Only companies with a sufficiently high Company Rating qualify for the Bank's sustainability funds.

Key Issues

When doing a sustainability rating, the analysts in the Sustainable Investment Research Department assess how well companies manage their main stakeholders' expectations (e.g. employees, suppliers, customers) and how well they manage related general and industry-specific ESG risks and opportunities. The company's management quality with respect to ESG risks and opportunities is compared to those of industry peers.

Controversial Activities (Exclusions)

Certain business activities which are not deemed to be compatible with sustainable development (e.g. armaments, nuclear power, tobacco, pornography) can lead to the exclusion of companies from the Banks sustainable investment universe.
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