

June 2019

EFG Asset Management Engagement Policy

EFG Asset Management (UK) Limited (the “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 the Shareholder Rights Directive (SRD II) ((EU) 2017/828) (the “Article 3g Requirements”). 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. EFGAM also manages discretionary portfolios which are delegated by EFG Private Bank.

EFGAM supports the objectives that underlie SRD II and believes that shareholder engagement is effective and works in the best interest of clients to improve 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 explain the extent to which EFGAM complies with them. This will be an evolving journey, and we have further to go to fully implement these policies.

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.

EFGAM is convinced 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 believes that high standards of corporate governance protect clients' interests, assist risk management, contribute to the maximisation of investor value and underpin the integrity of financial markets.

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 the companies' activities.

Finally, as a signatory of UN PRI we are asked to fulfil the requirements regarding engagement as stated in Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

In light of the multi-fold commitments, EFGAM has put in place a series of measures aimed at both voicing our clients' rights and sensitising the companies about the ESG approach. This program cannot be carried out in a consistent way without bearing in mind our own objectives in terms of higher efficiency standards.

1 Dialogue

We see the 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 the industry best practices, improve transparency and reduce investment risks.

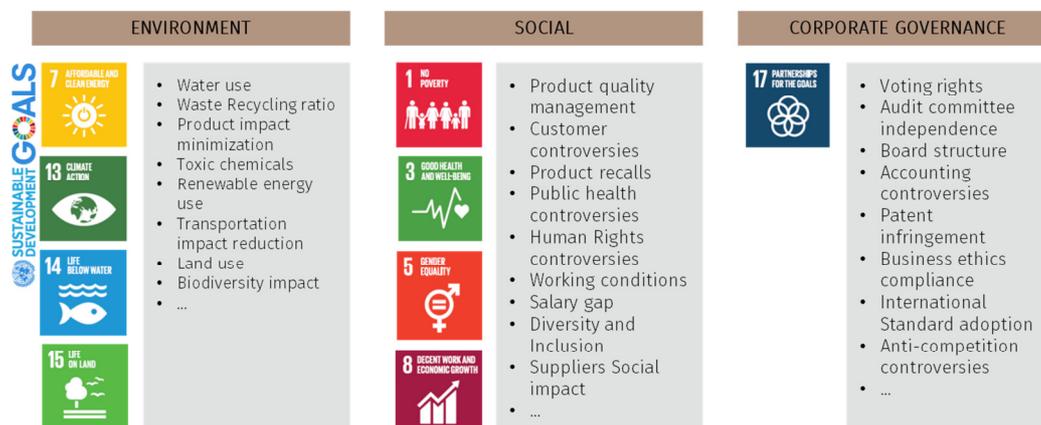
2 Long Term Value

One of the most needed resources in carrying out engagement is undoubtedly time, and patience. 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 mind-set. Our goal is not to interfere in the management of a company, rather aiming at pointing out weaknesses which could be negatively perceived by the market and therefore impact the company’s future growth. We therefore actively keep an eye on issues that could be raised by relevant stakeholders of the investee companies such as NGOs, local communities, suppliers, government, etc. since our approach considers the entire externalities a company may cause.

For example, we strongly encourage increased transparency or the practice of producing integrated reports according to one of the recognised standards (GRI, SASB, etc.). Moreover, since our action will leverage on macro ESG themes such as climate change, natural resources exploitation or cybersecurity, long-running commitment is the only path to go. To put it in other words, our involvement can be effective only with a long term commitment.

3 Objectives of Engagement

Our engagement activities are driven by ESG research and materiality, but we will prioritise issues that are at the crossroad of financial materiality and UN Sustainable Development Goals (SDG) in line with the following scheme.



We support the idea that the current global challenges addressed by the 17 SDG, 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.

Results of the engagement activities will eventually be communicated through our Research Management System to our analysts and fund managers to allow a proper integration of the outcomes in the underlying investment case.

4 Protocol

1) Starting point

The universe under scrutiny is composed of the companies invested in the Equity and Fixed Income Funds that EFGAM manages and other vehicles that utilise the same universe of companies. While the strategical and fundamental features of the investee companies lie within the jurisdiction of the fund managers/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 that are built considering social and environmental impact and corporate governance.

Such assessment, based on our proprietary methodology, 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, the expected holding period, etc. so as to have a full picture. It is worth mentioning that in our clients' interest we are bound to our group's "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.

2) Set the goals / expectations

Before starting an engagement procedure, we draw up a balance on what we expect to be improved, and what are the chances of success. This stage is essential in view of the final outcome, when the engagement achievements are measured. We focus our engagement activity on the KPIs that are at the crossroad of materiality and Sustainable Development Goals.

3) Get in touch

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 carried over in different ways that must 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 the simple expression of concern to, potentially, the exclusion from the investable universe. The engagement initiatives are led by the ESG team, but all analysts and fund managers involved are invited to join the discussions all along the engagement process, providing a more balanced approach and reducing the risk of conflict of interests.

4) Voting rights

We advocate and foster our shareholders' prerogative to play an active role in a company destiny by exerting their statutory rights. This means expressing their preferences not only on typical topics such as executive compensation issues or financial strategies, but also influencing the way a company should be managed with respect to the ESG standards. In order to put forward our shareholders' claims EFGAM partnered with ISS (Institutional Shareholder Services), which is the world's leading proxy advisory firm. Additionally, we have subscribed to ISS Sustainability Policy, which is a specialty overlay that tailors the voting recommendations to the ESG considerations. 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.

5) How is success measured?

Progress on engagement is constantly mapped. A success story could start with the company acknowledging our worries, followed by the decision to face the issue in practice, then to set appropriate targets and finally to monitor and record the improvements.

For the sake of transparency, our engagement activity is tracked annually in the framework of the PRI Reporting dedicated module “Listed Equity Active Ownership” and we plan to publish a client dedicated report starting from 2020.

6) Follow up

All our engagement activities are recorded into our Research Management System and periodically revised and reported to our investors. In the unfortunate event that all our efforts bring no tangible results due to the company unresponsiveness, we may decide, as a last resort, to divest that company.

7) Safety in numbers (collaborative engagement)

Alongside direct engagements, we also join collective initiatives in order to benefit from the greater influence of the combined shareholdings of all participants, in comparison to our individual weight. We constantly monitor through various channels (PRI Collaboration Platform, our network, etc.) 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 (controversies, boycotts and similar) we communicate with other stakeholders only through established collaborative engagement initiatives.

5 Governance

The engagement initiatives are approved by the Head of Research Governance. On a case by case basis the ESG Committee and/or analysts/FM will be informed/involved. As a general rule:

- The ESG Committee as well as analysts will be informed in the case of industry wide initiatives.
- The analysts or fund managers will be involved in the case of specific companies 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 document helpful to understand the engagement rationale will be published in the RMS and made available to anyone.

An assessment of engagement activities will be carried on and reported to the ESG Committee once a year.