

### About the portfolio manager

Assets under management	EUR 447 bn, EUR 27.2 bn according to ESG principles
Number of inv. profess.	450
Number of inv. profess. dedicated to ESG	10
Participation in shareholder meetings	Yes, active
ESG rating	„Sustainable“ according to leading ESG rating agencies
ESG consultant	Internal team
External data sources	<ul style="list-style-type: none"> <li>• MSCI ESG Research</li> <li>• ISS (governance and accounting data, integrating wide ESG elements)</li> <li>• Boardex (board/director data)</li> <li>• ESG and thematic brokers</li> <li>• RI news services, academia, NGOs</li> <li>• Bloomberg (ESG data)</li> <li>• Sustainabilitys (RI strategy specific research)</li> <li>• oekom (main sustainable impact/outcome data and RI strategy specific)</li> <li>• CDP (environmental data)</li> <li>• IVIS (UK governance data)</li> </ul>

### Memberships

Signatory to UNPRI	Yes
UNPRI rating	A+; above average rating for sustainable investment strategies
Others	<ul style="list-style-type: none"> <li>• UK Stewardship Code</li> </ul>

### Voting activity

Exercise of voting rights	Yes
ESG consultant	Internal team
Voting report	Yes

#### Additional information

<https://vds.issgovernance.com/vds/#/Mjc3NQ==/>

### Decision making process for exclusion decisions

The analysis of ESG factors is incorporated into all stages of our equity investment process to identify material risks and opportunities; incorporating ESG criteria enables portfolio better-informed investment decisions. Across all geographic regions, individuals and teams make their own investment decisions, while considering ESG factors, most commonly through ESG stock reviews, which form part of each stock's assessment. There is dialogue between the RI team and our portfolio managers and analysts contributing to the understanding of risk and opportunities on a stock, sector and theme. Unless specifically asked by a client we do not apply positive or negative screens in our investment process. Instead, we believe in the value of proprietary research as the primary source of outperformance and, therefore, that the best way to implement ESG integration is through active engagement with the companies in which we invest. The focus and degree of customisation varies depending on the objectives and needs of the client. These range from values/faith-based screening to best-in-class tilts.

### Consultant for investment guidelines and exclusion criteria

We do not apply positive or negative screens in our investment process unless specifically asked a client. We have a firm-wide non-investment policy concerning controversial weapons manufacturers. This policy was introduced both as a matter of principle and to comply with legal restrictions in certain jurisdictions regarding direct investment in companies producing such weapons. We consider this to be an appropriate and prudent measure to protect our clients and ourselves in this area. Our mandate compliance team ensure that portfolios are managed in accordance with contractual and regulatory requirements. They check portfolios against client guidelines and restrictions, to execute pre- and post-trade checks and to flag breaches.

### Decision making process for exercising voting rights

As part of our responsible investment activities we exercise the voting rights attaching to the shares we manage, on behalf of, and in the interests of our clients. Where the information on material ESG factors is inadequate, or indicative of worst-in-class performance, we engage and vote. This typically comprises a vote against the annual report and accounts, or directors with responsibilities for areas of concern, although it contributes to other factors (for instance remuneration, if significant bonuses jar with material ESG failures, especially if there are other concerns with compensation practices). We have watchlists for controversial companies, those with worst-in-class ESG performance, and those with poor carbon performance in high-emitting sectors. We have a diversity-related voting policy, recommending voting action where gender balance on boards is out of alignment with norms. Our global voting activities encompass all markets, with our initial voting analysis and assessments benchmarked against the corporate governance principles set out in our proxy voting policy. These are maintained to provide consistency and context in both our internal discussions and discussions with companies and are written bearing in mind the OECD guidelines on corporate governance. Where relevant and appropriate we aim to raise our voting issues with companies ahead of the General Meeting. In making our final voting decisions we will have regard to any company specific context and clarifications, as well as local market standards.



## IST EUROPE SMALL MID CAPS

### Engagement

Engagement	Yes
Consultant	Internal specialized team

### ESG consultant for engagement activities

Engagement and dialogue with companies is an essential part of our stewardship and is regularly informed by ESG research. It is mainly effected through company-initiated meetings (e.g. to discuss matters of strategic significance, as well as to seek clarity on support for agenda items relating to company general meetings), but also results from consultations and roadshows. Engagement can also be initiated by us, typically resulting from the monitoring of portfolios and preferred holdings against financial and ESG risk flags. The types of engagement cover longer term educational issues such as better disclosure, influencing incentive schemes to ensure alignment with shareholders, as well as ensuring the company properly management issues such as community relations, human rights, corruption and bribery and environmental protection.

## IST portfolio

### Portfolio overview

ESG rating	Yes
Application of an exclusion list	Yes; SVVK list provided by IST, additionally no investments in thermal coal are permitted (turnover >50% of a company)

Exercise of voting rights Yes

Additional information

<https://www.svvk-asir.ch/en/about-us/>

### Incorporation of ESG factors into the investment process

ESG analysis is part of the consideration of investment opportunities and risks. Our stock notes incorporate ESG factors and an ESG rating. This ESG rating comes from secondary sources and is complemented by proprietary analysis and our materially-focussed, forward-looking RI Rating which is informed by the work of the Sustainability Accounting Standards Board. Enhanced ESG research takes the form of a SWOT analysis of corporate performance against non-financial risk factors, including corporate governance, and prompts questions to raise during our engagement activities. We provide overall ratings of low, medium or high ESG risk along with an indication of 'sustainable opportunity'. We use a variety of measures to support sustainable outcome assessment and have developed a tool to demonstrate alignment with external frameworks such as the UN Sustainable Development Goals (SDGs) both at the company and portfolio level.

### Identification of companies excluded

Aladdin is the system used to check that portfolios are managed in accordance with client guidelines and restrictions, to execute pre- and post-trade checks and to flag breaches. Prohibition restrictions are hard-coded into the systems by the mandate compliance team and cannot be overwritten by the portfolio manager. Once a proposed order has been created, validated and authorised, the portfolio manager is notified automatically if the intended order will breach a restriction and the trade blocked. Depending on the nature of the restriction the portfolio manager may not be able to proceed unless he seeks approval from specific individuals with authority to approve an override. Overrides are processed independently by the mandate compliance team. The coding process is carried out in a series of clear stages to ensure accuracy and completeness of rule coding. The process uses a 100+ point check list which requires testing of the rules, requesting new data and analytics from data management and technology support teams, '4-eyes' review of rules, preparation of a 'Coding Rationale'. The systems are monitored daily by the team with c.200,000 rule checks performed daily, and a slightly greater number checked post-trade overnight. Any potential breach identified is analysed further to determine whether an actual breach has occurred.