Swisscanto
Asset Management
International S.A.

swisscanto

Voting policy on General Meetings

Stewardship Swisscanto (LU) and private label (LU) funds

1 Principles-based exercise of voting rights with efficient implementation

Swisscanto Asset Management International S.A. ("**Swisscanto**") uses the assessments of an independent, recognized voting rights advisor and Zürcher Kantonalbank Asset Management ("**Asset Management**") in the analysis process for the voting behaviour at general meetings.

2 Active and independent exercise of voting rights in the interests of investors

Swisscanto's investment funds are invested globally in equities, among other things, and systematically and responsibly exercise shareholder rights in the interests of the investors in its investment funds. With the active and independent exercise of voting rights, Swisscanto is committed to good corporate governance in accordance with recognized principles (Corporate Governance)[1] at these companies and supports sustainability issues.

In the case of listed Swiss direct investments in equities and positions in thematic funds, Swisscanto generally exercises its voting rights across the board.

In the case of listed direct equity investments in companies domiciled outside Switzerland, Swisscanto generally votes if the position of the shares held exceeds the market value[2] of CHF 2 million.

Voting requires that the relevant voting market has been activated.

The most important topics of our voting guidelines (published on the swisscanto.com/voting website), which Swisscanto applies when exercising voting rights, are set out below:

3 Continuous increase in the value of the investments of our investment funds

Flawless corporate governance reduces the information asymmetry between the shareholders and the management (principal-agent problem). It is therefore a central component of a corporate strategy that is geared towards the long-term survival and sustained increase in value of the company. Swisscanto uses Swiss and international corporate governance rules, its own principles and renowned sustainability standards, which incorporate a comprehensive package of environmental, social and corporate governance principles (ESG principles[3]) in the decision-making process for voting behavior, as the basis for the voting guideline and thus the exercise of voting rights. The voting guidelines are revised annually together with an independent, recognized voting rights advisor and Asset Management.

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1 The voting guidelines are based, among other things, on the "Swiss Code of Best Practice for Corporate Governance" for Swiss companies and the "UK Corporate Governance Code" for foreign companies.

2 Number of shares held x share price x conversion rate at the time of fixing the number of shares for the Annual General Meeting.

3 Based on the "Sustainable Development Goals" of the United Nations General Assembly resolution "Transforming our world: the 2030 Agenda for Sustainable Development".

3.1 Our behavior on the most important voting issues

The following explanations concern a selection of the most important voting agenda items, which are often controversial and frequently cause Swisscanto to vote against the recommendation of the Board of Directors.

Non-financial reporting

The non-financial report provides important information about a company's sustainability strategy and efforts. Swisscanto sets the following cumulative formal and material requirements for the approval of non-financial reports for Swiss companies:

- The non-financial report fulfills the legal requirements, is audited (limited assurance) and is included in the agenda with binding effect;
- the company has linked measurable ESG KPIs to remuneration; and
- (if applicable) ESG misconduct and controversies are published and measures to resolve the issue(s) defined.

Effective January 1, 2026, we plan to add a fourth criteria: the company pursues a net zero reduction pathway and takes into account the relevant CO2e emissions (Scope 1, 2 and relevant Scope 3 data).

Dividends

The dividend is the financial participation of the shareholders in the profit and should therefore also accrue to them. Swisscanto agrees to a payout ratio of at least 30% in each case. Exceptions are made for companies that are in a growth phase and reinvest the profit accordingly in the company or use it to reduce debt. In addition, no distribution is expected if the company's financial situation does not permit this.

Remuneration

A company's remuneration system can lead to misguided management incentives that are not in the interests of the company or its shareholders. We therefore focus on sustained and long-term value generation and take this into account:

- positive share price performance and profit distribution (total return) compared to the previous year; and
- Increase in profitability (e.g. ROE / ROIC / EVA) over three years.

These parameters are considered relative to peer companies in the same industry[4] . All these elements are based on the fundamental investment process of Asset Management.

The remuneration model or remuneration must be in line with performance and geared towards long-term value creation for shareholders (pay-for-performance). Payouts that are guaranteed or subject to a high degree of discretion (including excessive profit adjustments) must be avoided.

The targets for remuneration should increase the value of the company and be published transparently and measurably in the remuneration report so that the shareholders can assess them in advance of the Annual General Meeting.[5] Remuneration for the Board of Directors should only contain fixed elements such as cash payments and share allocations. Remuneration for the Executive Board generally consists of fixed basic remuneration as well as a performance-related short-term component and a deferred long-term variable component geared towards increasing the value of the company. A remuneration model should also include measurable ESG criteria.

The re-election of previous members of the Compensation Committee to this Board of Directors body will be rejected by Swisscanto if the compensation or the compensation report had to be repeatedly rejected by Swisscanto.

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[4] For example, classification according to the Global Industry Classification Standard (GICS).
[5] Based on the "Swiss Code of Best Practice for Corporate Governance" para. 35 ff.

Independence of the Board of Directors

Conflicts of interest can lead to decisions being taken against the interests of the shareholders. The Board of Directors and the committees of the Board of Directors should generally consist of a majority of independent members. In its voting behavior, Swisscanto ensures that the ratio between non-independent and independent members of the Board of Directors is at most equal[6] .

There is an exception for listed companies with significant shareholders. In this case, Swisscanto agrees to their representation on the Board of Directors in proportion to their shareholding, provided the company has a uniform capital structure and respects the "one share, one vote" principle.

We also pursue a family-shareholder and founder-friendly policy when electing Board members, provided that shareholder value has been created in this composition.

Diversity of the Board of Directors

When electing members of the Board of Directors, attention is paid to professional diversity and industry expertise on the Board of Directors. Swisscanto welcomes a quota of at least 30% for the underrepresented gender in Swiss boards of directors.[7] When electing replacements and additions to the Board of Directors, care is taken to ensure that at least one female candidate is nominated for the Board of Directors.

Dual mandate

"Checks and balances" are an effective means of achieving better decisions and effective management controls. Swisscanto generally votes against dual mandates, i.e. nominees for the Board of Directors who are also members of the Executive Board.

In exceptional cases and on a temporary basis, a dual mandate may be approved if, for example, the company finds itself in a financial emergency or turnaround situation.

In the case of Swiss and international[8] target companies, we vote against the nomination of the former CEO as Chairman of the Board of Directors if there is no cooling-off period of at least two years in between.

Overboarding

"Overboarding", meaning the accumulation of too many mandates by a member of the Board of Directors, poses the risk of overburdening, which can prevent the individual from adequately fulfilling their supervisory duties for each mandate. Swisscanto only approves mandates where the nominees act as founding members, significant shareholders or their representatives, or as chairpersons.

Discharge

The granting of discharge restricts the "recourse" of the company and shareholders to the members of the Board of Directors. Swisscanto therefore refuses to grant discharge in the event of gross misconduct by the members of the Board of Directors or if there is a justified suspicion of criminal acts. Discharge is also refused in the event of significant and repeated profit adjustments on the part of the management.

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6 To ensure the continuity and quorum of the Board of Directors, Swisscanto generally elects at least three of the nominees to the Board of Directors.

7 According to Art. 734f CO.

8 An adequate cooling-off period is also implemented in the voting markets of Germany, Austria and the Netherlands.

Limited service period of the auditing company

If an audit firm provides its services for too long, this can lead to an uncritical audit. Swisscanto therefore refuses to confirm the audit firm if no rotation has taken place after more than 10 years, or after more than 20 years if the mandate was publicly tendered after 10 years and the previous audit firm was reappointed as the winner.[9]

Capital measures and structure

Capital increases without subscription rights for existing shareholders dilute their ownership. Swisscanto approves capital increases or a capital range at the discretion of the Board of Directors up to an upper limit of 50% of the existing capital, provided that subscription rights for existing shareholders are guaranteed. Without subscription rights, an upper limit of 10% applies.[10]

Unequal membership rights lead to individual shareholders having a disproportionate weight in relation to the capital invested. Swisscanto votes against the introduction of share classes with different voting weights and / or other unequal rights. Swisscanto also votes against the (re-)election of shareholders or their representatives to the Board of Directors if they are responsible for the introduction of an unequal voting rights structure or benefit significantly from it.

Acquisitions and mergers

Takeovers are part of a dynamic economy, but can also lead to major losses. Mergers and acquisitions are assessed on a case-by-case basis. First and foremost, a merger should make strategic sense and the valuation should be appropriate.

Special cases

There are situations or agenda items in which we deviate from our guidelines on the basis of a case-by-case analysis (for reasons that are in the interests of investors, in particular to ensure a sustained increase in the value of the company). In order to safeguard the interests of investors in the best possible way, even in special cases, we rely on the expertise of Asset Management in our decision-making process.

3.2 Support for sustainability issues

At general meetings, we support proposals that sustainably promote best-practice ESG in accordance with recognized principles and insofar as these are compatible with the economic value creation (production or service range) or strategic orientation of the company. Among other things, Swisscanto supports shareholder motions that call for measures, guidelines or reporting in relation to (not exhaustive):

- Clear responsibilities on the Board of Directors with regard to ESG issues (e.g. creation of a Board committee or designation of personal Board responsibility for ESG/sustainability).
- Agenda items that increase transparency and targets for climate issues and other ESG topics (e.g. strategy and targets for reducing a company's greenhouse gas emissions).
- Remuneration models with ESG KPIs (e.g. medium-term greenhouse gas emission reduction targets and other industry-relevant environmental and social KPIs).
- The improvement of human rights standards (e.g. the promotion of fair working conditions and transparency to promote equal pay).
- The protection of biodiversity and the creation of measurable data.
- The responsible use of resources (e.g. increasing resource efficiency or promoting renewable energies and recycling).
- The promotion of data protection.
- Increasing product safety and compatibility.

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[9] In accordance with EU Regulation 537/2014.

[10] In the context of liquidity requirements, such a capital increase can also be approved for more than 10 percent of the currently issued capital if the company is active in a research-intensive sector and is in an early phase, i.e. is not yet generating any or low earnings.

– Improving best-practice corporate governance (e.g. increasing the transparency of remuneration: pay-for-performance).

Zürcher Kantonalbank

Engagement guideline

Stewardship Swisscanto

1 Introduction

The engagement for our Swisscanto funds is carried out by Asset Management. It comprises both equities and fixed-income securities.

With our investment stewardship, we aim to promote sustainable business practices and compliance with renowned international principles and generally recognized ESG best practice standards. Within this framework, we support compliance excellence and principles of mutual control, appropriate profitability, stewardship for environmental and climate protection, biodiversity, fair labor practices and a bias-free working environment as well as respect for human rights and other best-practice ESG issues.

2 Engagement guidelines and activities of Zürcher Kantonalbank Asset Management

Our engagement guidelines and activities are based on internationally recognized, sustainability-oriented standards and initiatives. These are designed to promote integrated reporting and compliance with business conditions that support and drive positive ESG measures at company and industry level and mitigate associated financial and reputational risks.

Our engagement activities apply both to listed issuers and to unlisted issuers with outstanding bonds. Engagement can be relevant from the perspective of equity investors, from the perspective of bondholders or from both perspectives. We believe that engagement is critical to building a global financial system that delivers higher long-term returns for our investors. A cornerstone of our approach is to engage with the companies we invest in on ESG issues that present a threat or opportunity to long-term shareholder value or even the creditworthiness of the issuer. We see engagement as an integral part of our investment process. We listen carefully to companies to understand their challenges and needs. Our engagement focuses on ensuring that companies and public corporations are responsibly run and managed to create more sustainable long-term value.

Our engagement activities are based on three main pillars, which are outlined below:

1. Direct dialogue and engagement with Swiss issuers: We strive to create visibility with companies as active investors by promoting best-practice ESG in the interests of our investors.
2. Collaborative commitments: The focus is on promoting best-practice ESGs for entire sectors and on achieving environmental and/or social goals (the 17 UN SDGs). The main drivers of collaborative engagement are the UN PRI platform, Climate Action 100+ and Nature Action 100.
3. Global and thematic commitments: We require companies to comply with the UN Global Compact principles (in the areas of human rights, labor standards, environmental protection and anti-corruption). In addition, our engagement should focus selectively on companies that are important for the promotion of current and key ESG issues, particularly with regard to greenhouse gas reduction, and where we would like to address and introduce best-practice standards in the interests of investors. We have mandated Sustainalytics, a Morningstar company (hereinafter "Sustainalytics") as an external engagement partner for this purpose. Depending on relevance and materiality, it is possible to participate in the corporate dialogues initiated by Sustainalytics.

2.1 Our engagement strategy

Asset Management conducts the engagement itself for Swiss and selective international companies, especially for significant positions where there are material sustainability issues we wish to address. Such issues may be identified in our sustainability data (ESG scores, controversyAfter evaluating the companies with which we wish to conduct a dialogue, we develop an engagement strategy that describes how we intend to achieve the desired goal. It addresses the priorities, the order in which different topics will be addressed and the documents we will use in the dialogue. The strategy also enables us to measure progress, impact and success along the way.

Maximizing operational performance in terms of sustainability

We want companies to make their operating performance as sustainable as possible and ensure that their investment plans have been critically assessed in terms of environmental, social and governance impacts (UN SDGs) and their ability to create long-term shareholder value (TSR, EVA).[11]

Focus on materiality

We expect companies to identify their focus areas around ESG and optimize their sustainability efforts. Based on the results of this assessment, a sustainability policy and strategy should be developed to measure, understand and communicate their performance and progress. Measurable qualitative and quantitative targets should be set to drive change more effectively. Companies should publish a sustainability report that transparently sets out their progress in addressing material issues. A sustainability report should be a platform for communicating sustainability efforts and impacts, both positive and negative. Consequently, the relevant sustainability targets should be included in management compensation plans that are externally verifiable and measurable (ambitious and relative ESG KPIs[12] should serve as incentives).

Engagement Reporting

Quarterly engagement reports summarize the engagement activities Sustainalytics has conducted on our behalf (i.e. global and thematic engagements). An additional comprehensive annual Active Ownership Report retrospectively describes and summarizes our investment stewardship activities, including our direct engagements and proxy voting activities.

Zürcher Kantonalbank's Code of Conduct addresses potential conflicts of interest and covers the entire Group. Specific measures are taken to ensure that engagement activities are not influenced by the Group's client relationships.

2.2 Direct dialogue and direct engagement, primarily with Swiss issuers

For Swiss companies, we use our strong position in the domestic market. With our equity holdings, we are regularly among the top 10/15 investors in SMI/SBI companies and maintain a constructive and productive dialogue with up to 200 Swiss companies (almost the entire SPI). We also engage with global issuers if the holding or topic is of particular importance. The focus is on relevant ESG issues (i.e. UN Global Compact, proxy voting and/or recognized ESG best practice standards). Our activities can be categorized into two groups:

1. **Engagements** - formal activities that are timebound, have clearly defined change objectives, and where status and progress are tracked with multiple metrics, including response, progress and milestones; and

2. **Dialogues** - informal exchanges to share expectations and better understand issuer strategies and objectives, but without a commitment to achieve a change over the long-term.

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[11] TSR = Total Shareholder Return, EVA = Economics Value Added = Spread between return and cost of capital.
[12] KPIs = Key Performance Indicators.

2.3 Collaborative engagements

We believe that an important way to promote improved market practices and ESG best practice standards is through active membership of collaborative platforms such as:

- United Nations Principles for Responsible Investment (UN PRI),
- European Fund and Asset Management Association (EFAMA),
- Asset Management Association Switzerland (AMAS),
- Swiss Sustainable Finance (SSF),
- European Sustainable Investment Forum (Eurosif),
- Climate Action 100+ and
- Nature Action 100.

For each of these platforms, we identify and prioritize our collaborative engagement activities within these memberships. It takes a variety of forms, including investor letters and broader investor initiatives such as issue-based coalitions and campaigns. They are effective and allow investors to speak with a strong 'collective voice' when addressing common ESG issues. Opportunistic direct interactions may also take place with companies selectively with other investors (usually UN PRI in the lead). We focus on those collaborative engagements where we can add value through our market position and insights in line with our engagement strategy and voting policy, for example through initiatives targeting Swiss and international companies on climate change, which is central to our overall thematic focus. Coordination is limited to the setting of change objectives to be undertaken by the target. No confidential information is exchanged, related to business strategy, investment decisions, voting behaviour or similar.

2.4 Global and thematic commitments

In order to expand our engagement activities globally and thematically and to communicate our strategy for reducing greenhouse gas emissions on a global level, we have engaged Sustainalytics as an external engagement partner. Sustainalytics conducts global engagements with companies on human rights, labor rights, environment, business ethics and other relevant ESG topics.

2.4.1 Selection of companies for the commitment

We select companies for engagement based on relevant positions that violate international conventions and standards such as the UN Global Compact Principles, the OECD Guidelines for Multinational Enterprises and the International Labor Organization (ILO) and/or other generally accepted ESG best practice standards. The engagements are prioritized according to the severity of the violations, but can also be carried out as the situation requires.

2.4.2 Thematic commitments

As part of our focused engagement themes, we work with companies on material ESG issues to raise industry standards in line with the UN Sustainable Development Goals (UN SDG) agenda. This enables us to play an active role in addressing material, shared sustainability challenges by engaging companies to proactively address specific ESG risks, opportunities and impacts. While our engagement with companies covers a broad ESG spectrum that focuses on international norms and conventions, our thematic engagement focuses on five priority areas:

Climate change

We want to help mitigate climate change by engaging with companies to promote energy and resource efficiency, renewable energy and the reduction of greenhouse gases. We are actively engaged in the fight against climate change through global coalitions and initiatives, direct dialogue and engagements through Sustainalytics. In addition, we implement a climate-related capital allocation strategy in the actively managed Swisscanto funds with traditional investments by selectively underweighting portfolio holdings (e.g. ESG laggards) and/or divesting parts of the portfolio (e.g. coal, fossil fuels, etc.) in order to pursue climate-related goals.

Human rights

We respect and advocate measures to protect internationally recognized human rights as defined by the United Nations, in particular the rights to life, liberty, security, fair working conditions, equal opportunities and respect for children's rights. We are guided by international conventions and standards such as the UN Global Compact, as companies are expected to operate within internationally recognized norms.

Biodiversity

Diversity of habitats, species and genes should be preserved. In our engagement with companies, we are therefore committed to ensuring that they actively protect biodiversity and publish the relevant data in their corporate risk assessment reports.

Circular economy

A circular economy seems to be an ideal alternative to the linear "take, make and dispose" model. This model ensures that we make the best use of limited resources by reusing or recycling products that would end up in landfill. Various initiatives, such as the UN Sustainable Development Goals, call for greater resource efficiency in consumption and production (responsible supply chains), sustainable use of natural resources and a significant reduction in waste generation through prevention, reduction, recycling and reuse. For this reason, we encourage emitters to focus on and implement various measures such as emission reduction, resource efficiency, recycling, substitution or reduction of toxic substances and plastics. The main drivers include the introduction of improved technologies and operating procedures, the development of environmentally friendly products and services and raising customer awareness.

Responsible cleantech

Cleantech has the potential to play a significant role in promoting a transition to a low-carbon economy. However, the growing range of cleantech products is not only an important part of the response to climate change, but also brings with it environmental and social challenges. The commitment aims to improve measures and transparency in terms of how raw materials are produced, how the product is manufactured and how the products can be recycled after use.

Further topics

We continuously select other focus topics where we believe our engagement activities can add value and have a measurable impact. These other topics include resource efficiency, certified palm oil, responsible and compliant supply chains, reduction of plastics and improvements in recycling (circular economy and sustainable material loops), sustainable food supply (agriculture and seafood), Stakeholder engagement (e.g. with industry associations or ESG data providers), effectiveness of the Board of Directors, corporate and climate/ESG-related reporting and disclosure (SASB[13] , IIRC[14] , GRI[15] , TCFD[16] , CDP[17] , SBTI[18] , PCAF[19] , TNFD[20]), promotion of gender diversity and fair labor practices (e.g. gender-sensitive paye.g. gender pay gap).

2.5 General engagement process and approach

2.5.1 Engagement process

The choice of engagement methods depends to a large extent on the context and the corporate culture. We usually initiate communication through e-mails and phone calls and then use all available channels.
Engagement tools, from constructive dialogue to voting behavior. In general, engagement follows a structured process:

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13 Sustainability Accounting Standards Board.
14 International Integrated Reporting Council.
15 Global Reporting Initiative.
16 Task force for climate-related financial information.
17 Carbon Disclosure Project.
18 Further information: sciencebasedtargets.org.
19 Partnership for Carbon Accounting Financials.
20 Taskforce on Nature-related Financial Disclosures.

Steps	Period	Remark
First meeting	From a few days to 3 weeks	Develop an understanding of strategy, ESG risks and treatment of violations or issues
Debriefing	Shortly after the meeting	Definition of the change objective and addressing the corresponding measures
Monitoring	A few weeks after the meeting	Review of progress and possible revision of the proposed measures
Follow-up Meeting(s)	A few weeks or months after the first meeting	Assessment of progress and discussion of emerging issues and risks
Continuous improvements	Progress reported in "Engagement reporting"	Potential revision of the change objective and the proposed measures

The progress of the engagement is measured regularly to ensure that the dialogue is progressing and potential challenges are being addressed. We are aware that the engagement process can take several years, depending on the case and objectives. We monitor developments closely and do not hesitate to escalate the dialogue to management and the Board of Directors if engagement is not progressing. For Swiss companies, we generally prefer engagement discussions at board level. As further escalation measures, we may adjust our voting behavior or our capital allocation (points 5 and 6 of 2.5.2) .[21]

2.5.2 Engagement approach

In general, we follow the following approach (escalation levels) when working with issuers:

1. Investor Relations
2. CFO/CEO level
3. Board of Directors level

4. Proxy voting

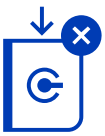
The fund management company votes against the discharge, members of the Board of Directors, remuneration and/or other agenda items (based on a reasoned proposal from the asset management to the fund management company).

and/or

The fund management company is considering submitting a corresponding shareholder proposal to the Annual General Meeting.

and/or

5. Underweighting of an issuer



6. Disposal of the position

Last resort, if the ESG violation of an issuer is very serious and the investment risk has increased significantly and the investment remains unsuccessful.

[21] Only applies to actively managed Swisscanto funds with traditional investments.

We view termination of engagement as a last resort. Therefore, we continue engagement efforts as long as there is meaningful progress and effort on the part of a company. Following the decision to divest, we may also inform the company if this seems appropriate.

2.6 Assessing the effectiveness of engagement

Swisscanto and Sustainalytics assess the effectiveness of individual engagements using several metrics, most importantly progress, response and milestones.

- Progress – amount of momentum towards the change objectives. Scale: None, Poor, Standard, Good, Excellent.
- Response – ease of interaction with the issuer, including frequency of interaction, timeliness and completeness of responses.
- Milestones
    - Milestone 1: Issuer acknowledges issue and commits to mitigation and management.
    - Milestone 2: Issuer establishes a strategy to address the issue.
    - Milestone 3: Strategy is well formed and has moved into early stages of implementation.
    - Milestone 4: Implementation of strategy has advanced meaningfully, and related issuer disclosures are maturing.
    - Milestone 5: Issuer has implemented all aspects of its strategy that are reasonable to expect, and the change objective is considered fulfilled.

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