Stewardship Guidelines

Engagement and Voting at
Anthos Fund & Asset Management

Contents

1. Introduction

This Stewardship (Engagement & Voting) Guidelines are part of the Responsible Investment (RI) Policy and a further elaboration on the engagement and voting activities of Anthos Fund & Asset Management ('Anthos'). Established almost 100 years ago, Anthos Fund & Asset Management provides comprehensive values-based asset management and investment advisory services across various asset classes to select, like-minded clients. We care deeply about the impact that our collective decision-making has on people, society, and the environment. Like our founders, we are guided by an inherent belief that doing business and doing good go hand in hand. This is the expectation we set for ourselves and when looking for ways to exert our influence and exercise our rights as an investor. As Anthos, and on behalf of our clients, it is our fiduciary duty to generate financial outperformance and sustainable societal impact.

Our approach to responsible investment is described in the RI Policy. We use all the tools available to make sure we deliver long-term value to our investments through stewardship (engagement and voting), by integrating ESG into our portfolio construction and manager selection, and through our exclusions and our positive and impact investments. This guideline document outlines our stewardship approach, which applies to all our assets under management. We see engaging with the fund managers across all our asset classes as a crucial part of our monitoring process after selection and initial funding, and a tool to being a force for good.

2. Governance structure and resources

This guidelines document, just like the RI policy, has been written by the Investment department and the Head of RI, approved by the management team and the Board of Anthos in its first iteration. Small updates are not reviewed by the board. For the implementation, it follows the same governance as described in the RI Policy and other relevant documents which we make publicly available. All these documents are evolving and will be updated in line with developments in our thinking on the topics.

Anthos has a fully integrated approach to responsible investment. As a fund of fund manager, regarding stewardship, we prioritize engagement with our external managers over engagement with companies. They are our partners and through them we aim to achieve our objectives for a better portfolio and a better world. Our in-house portfolio managers are responsible for monitoring and engaging with the external managers where improvement is needed. The responsible investment team supports this process by setting up tools, requirements and supporting the engagement itself with advice for next steps and insights of good practice.

The RI team is responsible for monitoring of the engagement quality and progress by the external engagement service provider, by at times joining engagements, providing feedback, and providing insights back to the in-house investment managers. The research analysts provide support by giving insights into the portfolio by using data from the underlying portfolios, looking at controversies, engagement by our external data provider to inform the engagement efforts of the portfolio managers. Finally, the data and reporting teams and the client advisory team provide insights from the stewardship towards our clients and external stakeholders.

3. Stewardship at Anthos: objectives and prioritisation

As a fund of funds manager, Anthos relies on external managers for engagement and voting but also engages with companies through a service provider and endorses collaborative engagements to enhance our impact on topics we find important. We uphold our standards for external managers, encouraging alignment with the Principles for Responsible Investment (PRI) of which we are also a signatory, and the EFAMA Stewardship Code (see Appendix), with a particular emphasis on ESG integration, stewardship, and disclosure. The sphere of voting is predominantly relevant to segregated mandates; otherwise, it remains within the purview of our external managers. Thoroughly evaluating the stewardship practices of external managers constitutes a vital component of our investment appraisal process, as described in our RI policy.

We aim to achieve two main objectives through all our engagement efforts, whether through our managers or our engagement service provider: a better portfolio and a better world. For the first, we engage our managers prioritising greater transparency and better integration of sustainable risks and for the latter we prioritise alignment with OECD guidelines, UN Guiding Principles for Business and Human Rights, stewardship with the underlying investees and collaboration with others for better results. Stemming from our values of sustainability, human dignity, and good corporate citizenship, but also given our fiduciary duty and commitments, we have identified climate change, human rights, and good business conduct as three main topics and priorities for engagement. Given the complexity of the topics and our reliance on indirect engagement and engagement through third parties, we do our utmost to select high-quality managers to create a positive impact and minimise potential adverse impacts. We use the insights gained from these engagements to inform our policies and to engage with our fund managers.

We recognise three main types of engagement: the primary - engaging with fund managers, then - engagement with companies via our external engagement service provider and policy or political engagement.

3.1. Engagement with fund managers

As an indirect manager, we believe that the impact we can have starts with our selection of external managers with robust stewardship principles and good engagement and voting policies. We assess these principles and policies in the due diligence that comprises part of our selection process and continue to monitor stewardship performance throughout the manager relationship. We also engage with our managers to encourage them to improve their engagement and voting processes and reporting.

Regarding engagement with our external managers, we have developed an RI Scorecard that measures all the relevant aspects, including engagement and voting. We use this for selecting and monitoring our managers. We report to our clients on the external managers' overall scores for integrating RI into their investment process and specifically their scores for engagement and voting, where relevant. We report on successes achieved because of our engagement with external managers and are working to making this reporting more systematic. If a manager does not achieve sufficient improvements on material ESG issues, we may decide to discontinue the relationship. We report on this to clients on a quarterly basis.

As well as expecting our managers to demonstrate good practice on these topics, we have set expectations that guide our due diligence and monitoring.

3.2. Engagement with companies via engagement service provider

While we find that the policies, engagement quality and reporting of external managers is continually increasing, we also want to be sure that the companies in our portfolios are engaged with one voice, based on one methodology, and aligned with our RI policy. We therefore strengthen this by having an external engagement service provider that engages directly with companies. This expands our leverage as a fund of funds and allows us to contribute to themes that are important both to our clients and to society.

We monitor engagement dialogues and progress and will join company engagement meetings with our provider where relevant, such as when the holdings are material, or the meeting relates to a theme of significant interest to our clients. We report on the engagement outcomes to our clients quarterly and annually and use the insights to engage with fund managers where this adds to the engagement.

Through Sustainalytics we engage with companies that are in violation of international conventions and standards or that are exposed to material ESG risks, as well as engaging in several thematic programmes aligned with our values of sustainability, human dignity, and good corporate citizenship. We describe these three types of engagement in more detail below.

Global standards and international norms engagement

As part of our values of sustainability and human dignity, and our responsibility to respect human rights in line with the UN Guiding Principles for Business and Human Rights, the UN Global Compact, and the OECD Guidelines, we believe in the importance of engaging with the violators of these global standards. Apart from our due diligence, where we select managers that integrate ESG into their investment process, we screen our portfolio for Global Compact violations and exclude the ones where engagement has failed and have received the "Disengage" status from Sustainalytics.

Financial risk engagement

We expect the fund managers we invest with to regularly engage with companies that are highly exposed to financially material ESG risks and are found to be managing them poorly. We also engage with companies via our external engagement service provider, which uses its proprietary ESG Risk Rating process to select and engage with the relevant companies. The engagement objectives are directly linked to the company's most financially material risks. By engaging with these high-risk companies, we believe we are contributing to systemic improvements across many different companies, with the aim of preserving long-term portfolio value. Engagement progress and updates are reported on a quarterly basis to our clients.

Thematic engagements

While our corporate engagements include a broad ESG scope focusing on international norms and conventions and material risks, our thematic engagement focuses on our three core values and on companies with high thematic exposure, also aligning the Sustainable Development Goals (SDGs). We sign up to relevant themes such as Biodiversity and natural capital, net zero transition, human rights accelerator, and others.

3.3. Collaborative initiatives, key stakeholders and responsible policy or political engagement

Collaborative engagement with investor participants is effective, given the strength in numbers that is created by speaking with 'a common voice'. Such engagement can take a variety of forms, including investor letters and broader investor initiatives. We support our external managers to join and lead these initiatives and Anthos also endorses the relevant ones key to its overall thematic focus. As global investors and fiduciary managers of clients' capital, we believe that stakeholder engagement should also include dialogue with policy makers, civil society, and NGOs. As such, we participate in select policy consultations and discussions and include key stakeholders to discuss relevant issues and get feedback for our policy development or stewardship actions.

We recognize the definition of the PRI regarding political engagement as an umbrella term that encompasses various channels of influence, including the ones more relevant for Anthos: responding to policy consultations, shaping public opinion through social media directly or through collaboration and via industry organisations. We align our participation in various organizations and political engagements with our values and Responsible Investment (RI) policy. We hold external managers to the same alignment standards, expecting their activities to resonate with their values and RI policy which we assess with our tools in DD. While assessing all activities from every manager can be challenging, we prioritize this principle of alignment. Any identified discrepancies or issues are promptly addressed through our engagement and monitoring processes with the respective managers.

4. Voting

Anthos' Voting guidelines outlines our strategy for exercising voting rights in connection with the securities held by the underlying funds within our portfolio as a fund of funds. In line with our commitment to responsible investment and stewardship, as well as our investment goals, we assess whether the manager has a voting policy and whether it covers environmental and social factors and methodologies employed by external managers during the selection process. We then accept the voting policy of the manager, which is why we do not currently maintain specific proxy voting guidelines. Throughout the duration of our investment, we actively seek opportunities to exert influence where necessary.

For segregated mandates, Anthos expects external managers to adhere to our responsible investment policy. However, in cases where a mandate is client-specific, and the client has their own policy in place, the manager will follow the client's policy. This ensures that our investment approach remains aligned with our principles while accommodating client-specific requirements when applicable.

We monitor voting practices of external managers through the following actions where relevant: reviewing any changes in their policy or guidelines on (proxy) voting, discussing material voting decisions from the manager in monitoring/engagement conversation and conclude whether their voting decisions were in line with their policy and stewardship approach and our expectations, discuss the application of their policy on securities lending and any implications for implementing their policies or guidelines on proxy voting.

In the event of significant divergence between the voting decisions of underlying funds and our influence and objectives Anthos may engage in further dialogue or follow the escalation process described below.

5. Monitoring and escalation

Our primary engagement focusses on external managers, aiming to enhance their Responsible Investment (RI) policies, ESG risk and impact implementation, stewardship practices, and reporting. In this context, escalation varies based on the asset class, ranging from reporting performance concerns to potential divestment from the manager.

Our typical process includes:

- Issue identification: We identify discrepancies during monitoring or engagement that do not align with our expectations or our previous assessment of the external manager. These issues are documented by our portfolio managers, and we form a preliminary view.
- Notification and inquiry: We notify the manager of our concerns and request additional information or improvements, setting a timeline for response for about 12 months, depending on the urgency and impact of the issue.
- Ongoing monitoring: We monitor the situation and assess whether there is a meaningful improvement. Any lack of progress is documented by our managers.
- Escalation: There are a couple of options which we could take depending on the situation which will all be communicated to the managers and reported to our clients:
    - escalate to a higher level at the organization of the external manager.
    - new investments hold-off capital allocation reduction.
    - as last resort - terminate contract with without public disclosure.

We consider disengagement or divestment as a final option, always prioritizing support for engagement efforts as long as we observe meaningful progress and effort on the part of the external manager or company.

6. Reporting and transparency

We publicly report on our stewardship and its outcomes through our Annual RI Report and the PRI reporting framework and quarterly to our clients in which we address developments and progress made towards our targets. Regarding stewardship we primarily focus on reporting engagement with our external managers regarding their ESG integration and stewardship. We receive reports from the external managers, and for the clients that have a segregated mandate we also provide the voting reports directly from the external manager. We report to our clients on engagement with companies via our external engagement service provider.

7. Appendix

EFAMA Stewardship Code Principles and Anthos' Expectations for External Managers:

Anthos prefers the invest with managers that follow these principles and engage with the ones that don't towards improvement.

1. Principle 1: Engagement Policy

Managers should maintain a public engagement policy outlining their stewardship approach. This policy should clearly define how they exercise stewardship responsibilities, addressing environmental, social, and governance (ESG) issues. The expectation is to provide transparency on engagement practices with the underlying investees, especially regarding equities, fixed income, but also other asset classes.

2. Principle 2: Monitoring Investee Companies

Asset managers are expected to monitor investee companies, aligning with their engagement policy. This involves actively assessing and tracking the performance of companies in their portfolios, with a focus on ESG factors. Monitoring should be consistent across various asset classes and include an ongoing evaluation.

3. Principle 3: Guidelines for Escalation

External managers should establish clear guidelines for escalating engagement with investee companies. The objective is to protect and enhance the value of client investments by addressing significant issues. Specific criteria and procedures for escalating engagement should be in place.

4. Principle 4: Collaborative Engagement

External managers are encouraged to collaborate with other investors when appropriate, adhering to applicable regulations. Collaboration enhances the collective influence of investors in achieving positive outcomes. Cooperation should be in line with rules on acting in concert.

5. Principle 5: Voting Rights

Where relevant, external managers are expected to exercise voting rights thoughtfully and responsibly. Voting decisions should align with the broader engagement policy and objectives. The objective is to contribute to good corporate governance and value creation.

6. Principle 6: Disclosure of Stewardship Activities

External managers should provide transparent disclosure of their stewardship and voting activities. Reporting to Anthos, using prescribed templates or equivalent formats for specific funds, is encouraged as it ensures transparency and accountability in stewardship practices.