J. SAFRA SARASIN
Sustainable Swiss Private Banking since 1841

Active Ownership Policy of Bank J. Safra Sarasin

Sustainable Investment Research
Bank J. Safra Sarasin
2016

175 YEARS

Active Ownership at Bank J. Safra Sarasin

As a sustainable, long-term oriented asset manager, Bank J. Safra Sarasin understands it's role as the "advocate" of its investors. We have a fiduciary duty to make investment decisions that are in our 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. This approach aims to foster robust corporate governance structures and shareholder rights, as well as strong social and environmental performance and transparency. We are convinced that voting rights have economic value and should be treated accordingly. Our ownership activities aim at promoting sustained profitability and risk management in invested companies, in order to protect shareholder value and enhance long-term returns. We believe that our Active Ownership activities contribute to the long-term success of our investment strategies.

Long-standing Active Ownership History

In 2006, Bank J. Safra Sarasin was one of the founding signatories of the United Nations supported "Principles for Responsible Investment (PRI)". We take the six principles literally, and our Active Ownership policy is accordingly in line with Principle Two:

"We will be active owners and incorporate environmental, social and governance (ESG) issues into our ownership policies and practices".

Bank J. Safra Sarasin first began refining its voting guidelines in the mid 2000s. The Engagement and Voting policy that described the Active Ownership activities of Bank J. Safra Sarasin was, and still is, deeply anchored in the company's overall Corporate Sustainability Strategy and is an integral part of one of the Bank's five strategic sustainability objectives:

"We incorporate sustainability considerations in our core investment activities".

The scope of this policy includes sustainable investment strategies managed in-house at Bank J. Safra Sarasin. Over time, the reach is set to broaden to all mandates and other in-house investment products.

This Active Ownership policy outlines our approach with regards to our Engagement and Voting activities, the principles that guide us and the goals we 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 according reporting and transparency.

Active Ownership = Engagement + Proxy Voting

Engagement is defined as the active dialogue with companies and the public – either in collaboration with other investors or by ourselves.
Proxy Voting is the practice of exercising our voting rights at companies' Annual General Meetings. The investor uses the right to vote for various agenda points.

Active Ownership encompasses both, Engagement and Proxy Voting activities.

Active Ownership Approach

Active Ownership is an inherent part of Bank J. Safra Sarasin's overall sustainable investment approach. It is based on the aim to support long-term, sustainable development. The Bank wants to reduce the negative impact on society and the environment and to promote sustainable growth in general. The following points guide our sustainable investment activities, and therefore the Active Ownership approach:

- Good corporate governance and strong social and environmental performance enhance long-term shareholder value.
- Active Ownership is used as a tool to strengthen the investment process and to support investment decisions and therefore to positively influence the long-term shareholder value.
- Voting rights have economic value and should be treated accordingly.

Benefits for Clients

Practising Active Ownership at Bank J. Safra Sarasin provides several benefits for clients:

- Clients are offered the possibility of being an active owner. We provide the framework for our clients to use their voice and be "shareowners" rather than just "shareholders". We also help clients to reduce reputational risks by conducting engagement and voting activities.
- As an asset manager, we understand our role as investors` "advocates" and have a fiduciary duty to make investment decisions that are in our clients' best interests and seek to maximise the value of their investments.
- Clients and other interested parties receive access to transparent communication and reporting with regards 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:

- 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 Labour Organization Conventions on International Labour Standards (ILO)
- United Nations Convention against Corruption (UNCAC)
- 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 customised proxy voting guidelines:

- 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 investment 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

There are four types of Active Ownership:

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

Every type of "Engagement" has different spheres of influence. Whilst Direct Dialogue with companies is targeted more at supporting our investment cases, Collaborative Engagement activities address more systemic issues and therefore support our investment decisions more indirectly. Our Public Policy Engagement aims to promote sustainable investment practices and contribute to society's sustainable development in general.

Direct Company Engagement

By approaching companies and entering into a direct dialogue with them, their long-term value for us as a shareholder should be increased. The Bank's sustainable investment analysts and portfolio managers discuss strategic ESG aspects directly with top management and thereby try to strengthen the investment cases.
Direct Company Engagement is done in a systematic way, with five steps.

Step 1: Screening & Selection

In this initial step, the research coverage and portfolio holdings are monitored. 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. Descriptions of business practices, news, controversies and other sources, are used to come up with the right questions in order to approach companies proactively. After severe negative events (controversies), such as a toxic spill, we would engage reactively. In the selection of our engage-

ment cases we strive to be focused and impactful. Therefore, our focus lies on the largest holdings and on the most important sector-specific risks.
Result: a shortlist of Engagement priorities

Step 2: Dialogue
In step two of the Engagement process the actual Engagement is initiated and conducted. To define the Engagement case, milestones are chosen and objectives are set. Such milestones can comprise of access to detailed information, enhanced disclosure by the company or a clear commitment 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-to-one meetings (preferred: direct dialogue with management, CSR team, Investor Relation) or on-site visits
- Phone calls
- Written correspondence via e-mail or letter

Result: insights from Engagement interaction

Step 3: Evaluation
This step consists of the evaluation of the Engagement outcome. The success of the Engagement activity is determined by the following categories:

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

Result: classification overview of Engagement activities

Step 4: Conclusion
Step four requires the decision whether the Engagement is either concluded or it is continued. All new information that results from dialogue (Step 2) is taken into account for the company's sustainability rating.

If an issuer does not respond or responds poorly, our ESG rating will be adjusted and the company may be no longer part of the sustainable investment universe. Such an event would eventually result in holdings being sold. The same accounts for cases with relation to the breach of human rights. Our sustainability ratings can directly trigger divestment if the company's sustainability rating falls below a certain threshold. Engagement and Voting efforts are considered as complementary, as our divestment strategy is systematically incorporated in the overall sustainable investment research approach. However, in case the sustainability issues are perceived to be materially damaging to the investment case, we would divest from the company immediately.
Result: decision about the next steps, such as a downgrade that might lead to divestment, or enhanced transparency and access to more comprehensive data might lead to an upgrade of a company to be included in the sustainable investment universe.

Step 5: Communication
In this step, the impact of Engagement is measured and communicated. As it is challenging to measure the exact impact of our Engagement efforts, we use different metrics such as qualitative or quantitative numbers or changes in our ESG ratings. These impacts, such as upgrades or downgrades following specific Engagement activities, are reported on a regular basis.
Regarding confidentiality, it is important to highlight that Bank J. Safra Sarasin strives to be as transparent as possible without putting the success of a Company Engagement activity at risk (because the company does not want to disclose information if we publicly release it).

Collaborative Engagement
We also work together with other (institutional) investors to engage with companies about ESG practices. By approaching companies with a unified voice, companies might take the concerns of a big investor group more seriously and the impact of the Engagement activity is more powerful.

Bank J. Safra Sarasin is currently 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 organisations help investors in building up knowledge and skills and give broader access to information.
For our Collaborative Engagement activities, the following selection criteria are relevant:

- Relevance for our sustainable investment approach ("materiality") with a link to sustainable investment products
- Relevance for sustainable development
- Ability to create impact
- Application and further development of internal expertise

Public Policy Engagement
As a third pillar of Engagement, Bank J. Safra Sarasin conducts Public Policy Engagement on an industry level. 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.

We are an active member of several institutions that engage with politics and aim at promoting sustainable investing. Bank J. Safra Sarasin uses the vehicle of "investor-supported initiatives", including Swiss Sustainable Finance (SSF), the PRI, the CDP, Eurosif or the Forum für Nachhaltige Geldanlagen (FNG), to engage on specific ESG themes.

Proxy Voting
Besides the core Engagement activities, Proxy Voting is considered as the second, equally important component of Active Ownership. Bank J. Safra Sarasin exercises its voting rights for the majority of the sustainable investment funds on behalf of its clients. The Bank has its own, customised Proxy Voting Guidelines that reflects the overall sustainable investment approach and systematically incorporates ESG aspects. The customised guidelines that are implemented on an external proxy voting web platform is in line with our sustainable investment research methodology. The focus lies on the materiality aspect of sustainability.

Our Proxy Voting tools include voting at Annual General Meetings (AGM). This is conducted by external partners such as Institutional Shareholder Services Inc. (ISS), which is one of the leading providers of corporate governance solutions. ISS executes the complete Proxy Voting processes globally and across sectors for us. On their Proxy Exchange 2.0 platform, ISS gathers all data points on Annual General Meeting (AGMs), voting results and further research information.

The majority of votes are done automatically by ISS (always in accordance with our prescribed customised guidelines). Besides this, there are several agenda points, mainly in the field of environmental and social issues, where the Bank votes manually. 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.

The guidelines recognise that the companies` 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.

The importance of customised voting guidelines
Proxy advisors support investors on how to exercise their voting rights on corporate decisions such as mergers and acquisitions, director elections, executive pay and corporate governance policies in general. New legislation related to "say on pay" (e.g. the "Minder Initiative" in Switzerland) has increased the power of such Proxy providers in recent years and evidence shows a strong correlation between the decisions of advisory firms and the actual results at companies' Annual General Meetings (AGMs). Although Proxy advisors contribute to companies adjusting their corporate governance practices to a higher standard, their increased influence and some data inaccuracies have led to some criticism. Furthermore, proxy firms do business not only with investors, but also offer consulting services to issuers, which create potential conflicts of interest.
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 the proxy voting provider, but have set up our own customised voting guidelines. Exclusively relying on such automated voting services raises the risk of "misvoting" and acting against one's long-term interest. On top of that proxy voting recommendations might only be weakly aligned with in-house fundamental research or in the worst case even contradictory. Bank J. Safra Sarasin has therefore implemented its own customized voting guidelines, which are aligned with our sustainable investment approach. Our customised voting guidelines and in-depth knowledge of ESG issues faced by companies allows us to actively choose the options, which we identify as most favourable for our clients. We nevertheless use the valuable services of ISS to get additional research insights on upcoming AGM agenda items, to operationally execute our votes and to source the relevant results for reporting purposes.

Based on our objectives, we have a specific 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 of 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 performance drawdown risks of a holding significantly. Our proxy votes incorporate and emphasise these identified aspects. As a sustainable asset manager we also focus strongly on key environmental and social aspects that are becoming increasingly relevant among players in the field of sustainable investment. In what follows, we present a selection of key ESG aspects that we take into account in our voting activities.

Governance Key Aspects for Voting

Under the umbrella of governance, we consider both the corporate governance structure of companies as well as their corporate behaviour.

- Board Structure, 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 customised guidelines.
- Executive pay practices: CEO and other executive pay practices are considered, including specific pay levels and figures. Pay is evaluated primarily against levels of pay relative to peers, as well as specific features of the pay program design.
- Ownership structure & shareholder rights: The company's ownership structure and takeover defences are taken into account. Additionally, shareholder 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 limitations on voting rights and the ability of shareholders to approve charter and bylaw amendments are evaluated.
- Business ethics & fraud, anti-competitive practices, corruption and instability: the company's corporate behaviour is monitored and incorporated into our voting decisions.

Environmental Key Aspects for Voting

We review environment-related shareholder proposals on a case-by-case basis and focus on those aspects that are most material. Besides considering specific key aspects, we recognise the adoption of specific environmental policies, the adoption of specific environmental performance goals and measurements, and corporate investments in the sustainability of companies.

Our proxy votes with regards to environmental questions are based on the following key issues (among others):

- Climate Change: the focus lies on carbon emissions, energy efficiency, product carbon footprint, financing environmental impact and climate change vulnerability.
- Natural Resource Use: water stress, biodiversity and land use, and raw material sources are looked at.
- Pollution & Waste: different kinds of waste, toxic emissions, and packaging material, including recycling, are identified to be voted on.
- 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 Key Aspects for Voting

We review society-related shareholder proposals on a case-by-case basis and focus on those aspects that are most material. They are based on the following key issues (among others):

- Human Capital: labour management, health and safety aspects, human capital development, and supply chain labour standards are looked at.
- 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 main focus lies on controversial sourcing practices.
- Social Opportunities: besides social risks, also social opportunities are taken into account. 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 on social activities.

Organisational 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 issues, which is the basis of every meaningful Engagement and Voting activity.
All our Engagement activities are conducted on the issuer level. While Proxy Voting only purports to equity holdings, the scope of Engagement includes all asset classes.

Allocation of responsibilities

Responsibility	Tasks
Sustainable Investment Advisory Council	Advice on Active Ownership Policy
Corporate Sustainability Board	Approval of Active Ownership Policy
Chief Strategist & Head Sustainability and Head Sustainable Investment Research	Public Policy Engagement initiatives (selection, representation etc.)
Sustainable Investment Research Team	• Direct Company Engagement with companies under coverage and invested companies, coordinated along sector responsibilities • Collaborative Engagement activities by selected analysts • Execution of Proxy Voting by selected analysts • Tracking and reporting of Engagement activities by dedicated "Engagement coordination" analyst and deputy
Corporate Sustainability Management	Coordination of Public Policy Engagement initiatives

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 a semi-annual basis) through various channels. Bank J. Safra Sarasin's annual report contains a high-level summary of our Engagement and Voting results.

The publications are publicly available, and some of them are sent directly to clients. Additionally, clients may obtain detailed information about how Bank J. Safra Sarasin voted proxies on their behalf by contacting their client relationship manager.

Summary
Active Ownership is an integral part of the overall sustainable investment approach at Bank J. Safra Sarasin. 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 ownership 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.

Bank J. Safra Sarasin will continuously aim to improve and optimise its Active Ownership activities to effectively fulfil its responsibilities towards clients and other interested parties.

Conflicts of Interest

Following our fiduciary duty, we always must act in our clients' best interests. We strive to avoid even the appearance of a conflict that may compromise the trust our clients have placed in us. We recognize that there may be a potential material conflict of interest when we vote a proxy solicited by an issuer whose retirement plan we manage, or we administer, or with whom we or an employee has another business or personal relationship that may affect how we vote on the issuer's proxy. Similarly, we may have a potential material conflict of interest when deciding how to vote on a proposal sponsored or supported by a shareholder group that is a client. In order to avoid any perceived or actual conflict of interest, we have procedures in place that encounter a potential conflict to ensure that our Voting decisions are based on our clients' best interests.

Such measures include among others the following:

- Departments and legal entities operate with sufficient independence from one another (structural separation, confidentiality areas, need to know principle)
- Strict segregation of tasks between asset management, investment advisory, trading and settlement departments
- Creation of information barriers where an exchange of information between certain persons or areas could entail/result in a Conflict of Interest
- Guidelines and processes for ensuring fair and equal treatment of all clients or classes of clients
- Creation of appropriate records relating to the services and activities of the Bank in cases where a Conflict of Interest has been identified
- Creation of appropriate escalation processes within departments and between departments, which must be adhered to when a Conflict of Interest has been identified or may be identified

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, we will disclose the conflict of interest to you before exercising any Voting rights.

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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 inhouse 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 (shaded area) 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 environmental, social and governance risks and opportunities. The company's management quality with respect to ESG risks and opportunities is compared with its 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 Bank J. Safra Sarasin sustainable investment universe.
The Bank or an affiliate of the J. Safra Sarasin Group, to the extent legally permissible, may also provide advisory and/or other services to companies and/or may solicit business from companies it exercises voting rights, which may result in conflicts of interest, which could affect the Bank's objectivity. While the Bank has taken steps to avoid or disclose, respectively, such conflicts, it cannot make any representation in such regard.
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