



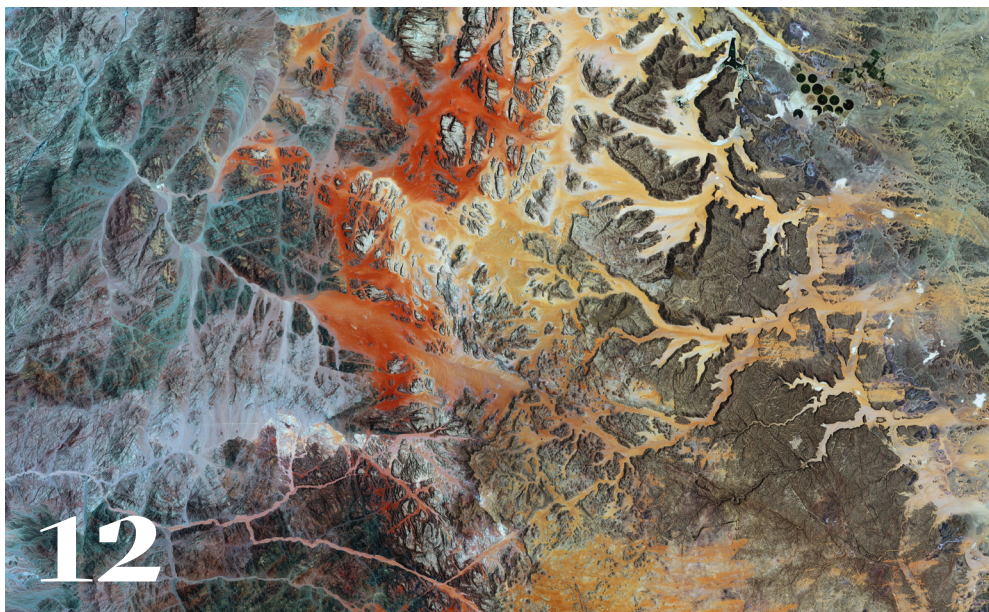
From Wealth to Impact

Engagement Report 2021



Proposal Against Plastic

Our Vote for Diversity



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Our Vote Counts

It goes without saying that we all take part in elections and votes – for some, just knowing that they could do this is enough. In our part of the world, everyone has a voice that can make a difference in the political process.

Similarly, every consumer decision we make sends a clear signal about our preferences. We choose luxury or thrift, plane or train, meat or vegetarian, to buy or rent. This is no different on the market, where our voice and every decision we make count.

And what about our portfolio?

It also gives us a voice that counts. However, it is often too weak, too quiet. We don't fully appreciate the difference we can make with our wealth.

This report aims to change that. As private and institutional asset owners, we have a responsibility and power to effect changes that we should exercise. This begins, firstly, with the choice of partners: Which bank or asset manager do I entrust with my portfolio, what are their guiding culture and values? Secondly: We send out a signal with every investment decision. We decide who we provide the capital to and for what purpose. Thirdly, as active owners, we make use of our possibilities to co-determine the course of the company we invested in.

In this report, we present the many forms of shareholder engagement that Globalance undertakes on behalf of our clients.

Our philosophy of active ownership is part of Globalance's "raison d'être". We enable our clients to make their voices heard for the future viability of the economy, society and the environment.

**As asset owners,
we have a responsibility and power to
effect changes that we
should exercise.**



Reto Ringger
Reto Ringger
Founder and CEO

It All Begins with Our Intention

Different Strategies Lead to Impact

The global agenda to shift capital towards a sustainable financial system is based on multiple strategies, all of which have their merits. This includes divesting as well as remaining invested in problem companies and promoting positive changes.

Globalance focuses on actively selecting sustainable companies and projects as well as on shareholder engagement. We understand shareholder engagement as being active owners and making full use of our rights to effect positive change.

One of the things that unites our clients is the desire to make a positive, sustainable impact with their portfolio. They chose Globalance because this understanding of sustainability is integral to our investment strategy and portfolios.

Investor Impact + Company Impact

Anyone who wants to make an impact with their portfolio should consider two complementary elements of sustainable impact: firstly, the direct impact chain of the invested capital (investor impact) and secondly, the performance of the company or project (company impact).

We assess the latter through our Globalance Footprint approach.

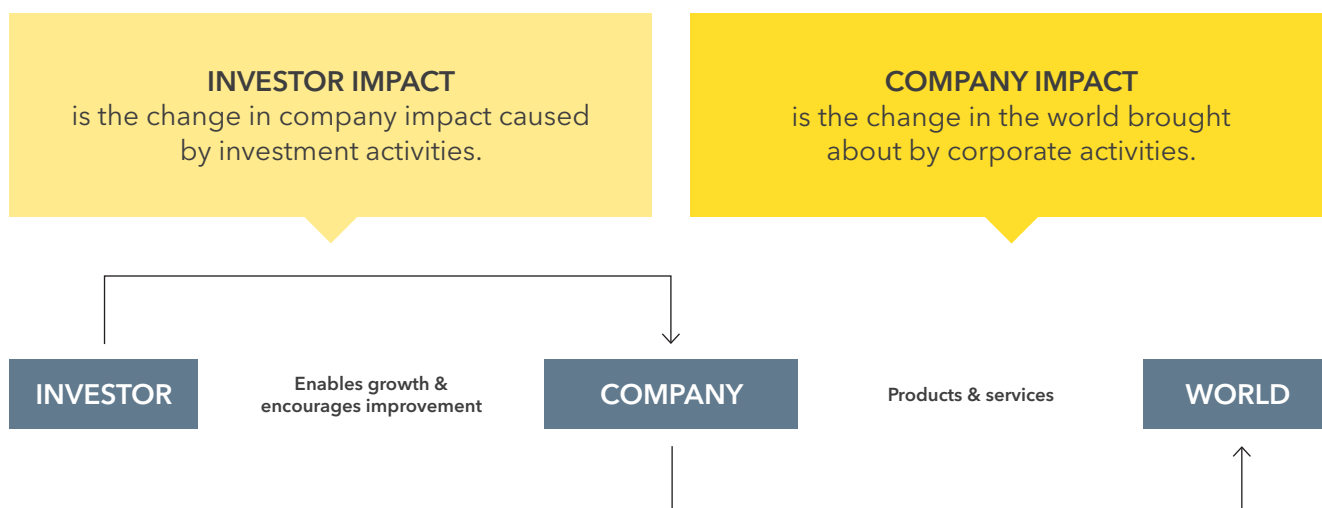
When we provide start-up capital to a young company, invest in a wind farm or grant a loan to a microfinance bank, we can recognise a direct investor impact for ourselves. This impact would not have happened without our investment, because it grants access to capital. The Globalance investment strategy includes many investments of this kind.

When we buy a carefully selected equity on a stock exchange, we are investing in line with certain impact goals, and thereby sending an important signal on the secondary market. Globalance increases the positive impact of such financial investments through its engagement for improvement. We explain how this is done in this report.

Companies Listen to Their Owners

Businesses have an acute awareness of the intentions and positions of influential investors whose voice sometimes has more weight than their financial size would suggest. Shareholder engagement has become an important part of good corporate governance. Company

Making an Impact with Our Portfolio



When we buy a carefully selected equity on a stock exchange, we are investing in line with certain impact goals, and thereby sending an important signal on the secondary market.

managers often have a very personal interest in scoring well in their assessment by such investors (hence their efforts to achieve good rankings, for example in the Dow Jones Sustainability Index, DJSI, which has existed since 1999).

The impact of such endorsements and benchmarking is considerable.

Impact in All Asset Classes

Globalance takes an overall portfolio impact approach: we assess the impact of all asset classes on the real world. In doing so, we enable our clients to distinguish between positive and negative impacts.

How Investors Make an Impact

- Signal that impact matters (for example, by excluding harmful industries)
- Engage actively with companies
- Grow new or underserved capital markets (for example, by financing a wind farm)
- Provide flexibility on risk-adjusted return (not applied by Globalance)

A number of global standard-setting organisations have come together to form the Impact Management Project (IMP) and establish a consensus on how to measure impact through investing. According to the IMP, there are the four pathways of impact shown. Globalance focuses on “signal that impact matters”, “active engagement” and “grow new/undersupplied capital markets”.

Shareholder Activities for Society and the Environment over Time



**Shareholders
and managers
alike are surprised
at how much
they learn about
each other.**



The Art of Dialogue

Peter Zollinger, Head of Impact Research at Globalance, shares his experiences from the dialogue with companies and about the importance of shareholder engagement – especially in today's world.

One instrument of shareholder engagement is the institutionalised dialogue between shareholders and companies. Why is this valuable?

Both sides benefit: Shareholders are given a forum in which to express their expectations from "their" companies, including relevant sustainability issues. They also gain additional information about the companies' plans and their challenges on the competitive market. On the flip side, the company executives can systematically compile all the shareholder expectations in detail. They are given the opportunity to explain themselves and can clear up any misunderstandings.

I used to be involved in these kinds of processes myself, for example in the pharmaceutical industry (see box on page 9). We were told time and again how surprised both sides were. Shareholders learn much more through this kind of direct dialogue than they ever could from analyst reports. Executives value that they can find allies for more complicated transformations among shareholders with a focus on long-term ownership.

Why does the role of asset owners need to be strengthened?

Since the financial crisis of 2008 at the latest, there has been a growing awareness that the importance of owners in the financial system must

be strengthened in relation to the service providers. The latter often pursue their own interests, which are not congruent with the owners' long-term goals and, in the worst case, may endanger the stability of the financial system.

Asset owners are vulnerable to such disruption. Many of them – think of sovereign wealth funds, pension funds or insurance companies – have long-term investment horizons and liabilities. That is why owners have to take a firm and resolute stance. Globalance makes it easy for individuals, families and foundations to join this circle of active asset owners.

What are the most important prerequisites for engagement to be successful?

Shareholders choose different tactics to make their voices heard. Actual activists choose the confrontational route through the public to put pressure on companies. Here, on the other hand, I would like to outline the prerequisites of cooperative engagement. A confidential framework is valuable – as far as the principle of equal treatment in stock exchange rules allows. Shareholders need to come with realistic expectations. Change in companies is a demanding process and takes time. On the other hand, executives must be prepared to really listen and, if need be, take

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It was important to build the technical infrastructure so that we could vote on behalf of our clients at all companies worldwide.

action to address shareholder concerns. Nothing is more harmful to dialogue than shareholders being met with preconceived opinions. It is an important board responsibility to emphasise the principles of “openness” and “engagement” as part of good corporate governance. Ideally, board members should also communicate directly with shareholders and bypass any management “filters”.

More and more asset owners are getting involved in climate protection. Why?

There is a growing realisation that the physical, political and economic risks of global warming are so great that they may threaten the stability of entire economies, societies and ecosystems. This is why institutional asset owners in particular have become active: they advocate for appropriate legal frameworks and are actively investing more in strengthening climate resilience. A growing number of alliances, such as the “Net-Zero Asset Owners Alliance”, work on international co-ordination and the development of appropriate international standards.

What characterises Globalance’s engagement?

We take a focused and pragmatic approach. It was important to build the technical infrastructure so that we could vote on behalf of our clients at all companies worldwide. We had to set up the necessary interfaces between our banking system, external mandates’ custodian banks and the proxy service provider. As a result, we can see every single proposal in time and give our instructions. In terms of direct engagement, we are currently concentrating on the topic of climate: as we are creating unprecedented transparency through Globalance World, this is also of interest to the companies in our portfolios. We approach a selection of them to discuss their climate strategy each year. Since we do not invest in passively managed collective instruments that represent entire markets, engagement with “laggards” is not relevant for us.

What has been the biggest success so far?

The head of the legal department of a well-known Swiss company,

represented in the SPI share index, asked us for an explanation of its (poor) climate performance indicator shown on Globalance World. After a constructive dialogue, his conclusion was: “We probably need to publish more data to score better.” While this is not a typical example of our engagement, it serves all the better to illustrate its positive impact.

Peter Zollinger

Head of Impact Research

As Head of Impact Research at Globalance, Peter Zollinger assesses the value created by our investments for the economy, society and the environment – the “impact”. He is also responsible for our shareholder engagement. In his previous role as a sparring partner for multinational companies, he was regularly involved in designing and implementing systematic engagement programmes in industries with controversial issues.

Globalance's Shareholder Engagement

Active ownership consists of proxy voting and engagement with portfolio companies. Traditionally, engagement refers only to equities, because an equity investor is the part-owner of the company and has corresponding rights. However, we understand engagement in a broader sense: we can also bring about positive changes indirectly through dialogue with fund managers.

Proxy Voting

Proxy voting refers to voting on proposals at companies' annual general meetings.

Collective Engagement

With pool engagements investors join to raise specific concerns with companies. This approach is resource-efficient and increases the pressure on companies.

Direct Engagement

Direct engagement is a personal dialogue between investor and portfolio company.

THE GLOBALANCE APPROACH

Engagement Programme

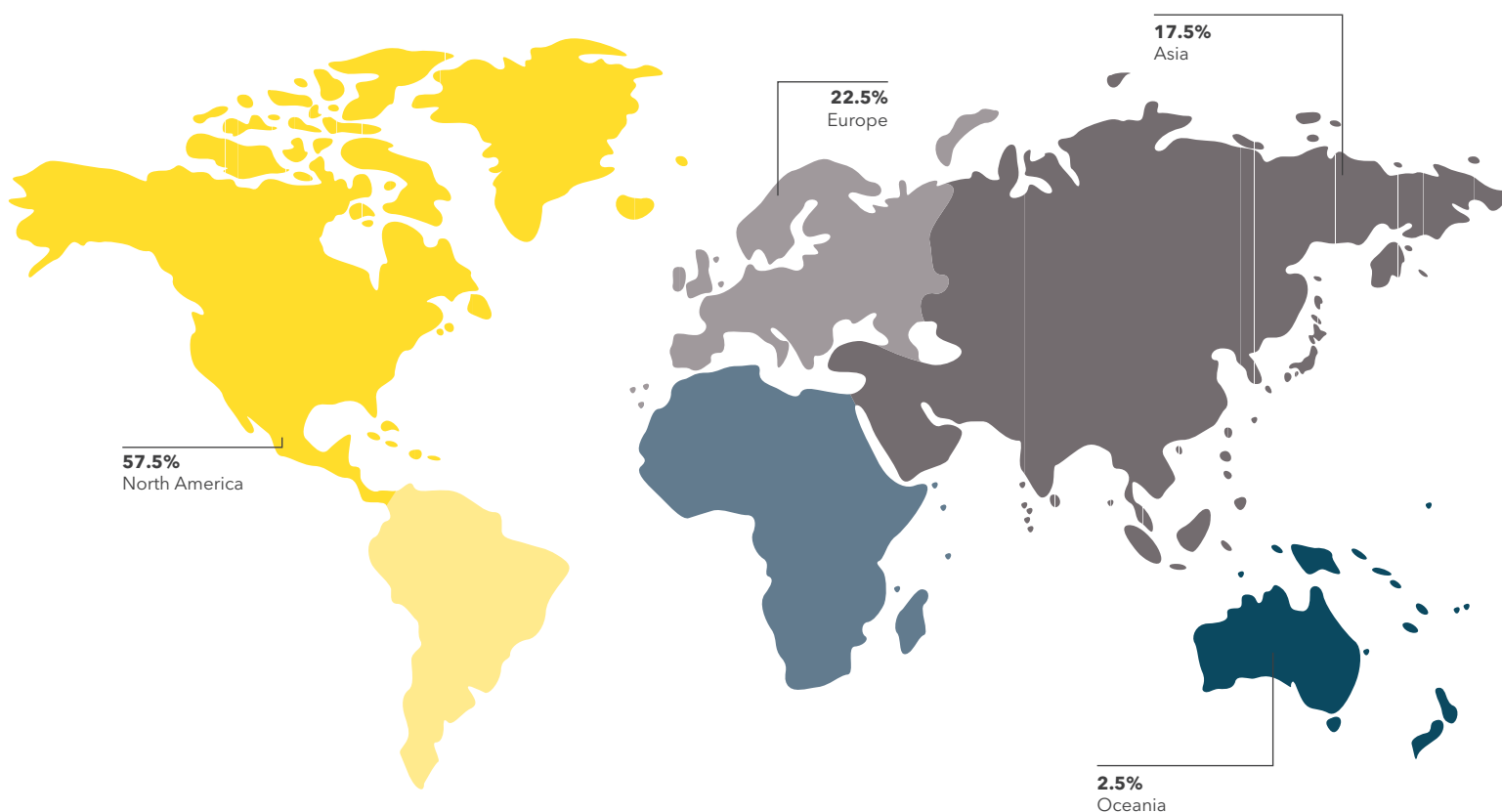
An engagement programme is a dialogue maintained with a company over a number of years with the aim of effecting specific changes.

An Example of Structured Dialogue - Pharma Futures

The Pharma Futures scenario planning project was launched at the beginning of the millennium by three pension funds – the Algemeen Burgerlijk Pensioenfonds in the Netherlands, the Ohio Public Employees Retirement System in the USA and the Universities Superannuation Scheme in the UK. Companies and shareholders arrived at the conclusion that a fundamental change in the way the pharmaceutical industry is run was inevitable. The multi-year process promoted a longer-term investment perspective.

Our Voices Challenge Leaders

Exercising all voting rights is a duty, but is not in itself sufficient engagement. Thanks to the technical proxy voting infrastructure from the provider ISS, Globalance can exercise its global portfolios' voting rights anywhere in the world. The votes are cast in accordance with Sustainability Proxy Voting Guidelines by ISS (see box). Globalance may additionally issue instructions for each vote on an individual basis.



Where Did Globalance Vote?

The largest number of proposals in 2021 was made in the USA, followed by Europe. Interestingly, the distribution of shareholder proposals is even more extreme, with 95% being submitted in the USA.

How Often Was the Vote Taken?

80

Number of annual general meetings

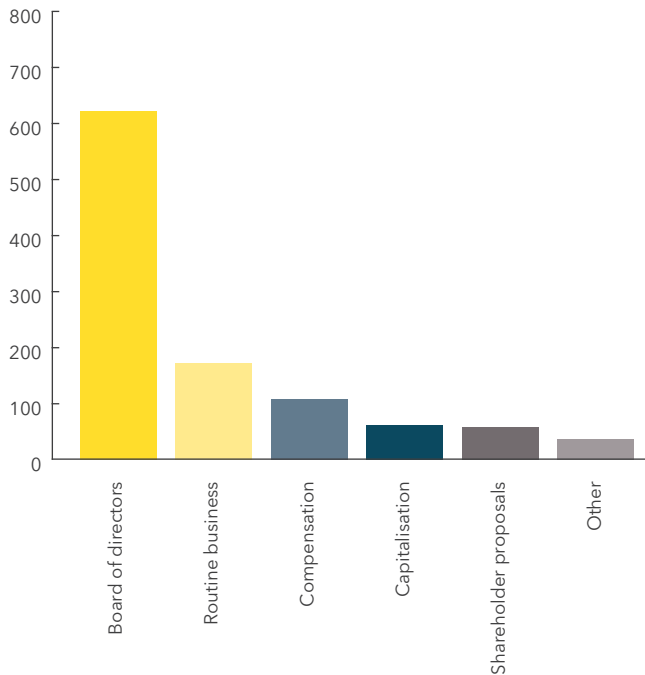
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Number of proposals voted on

58

Number of shareholder proposals voted on

Proposals at 2021 Annual General Meetings

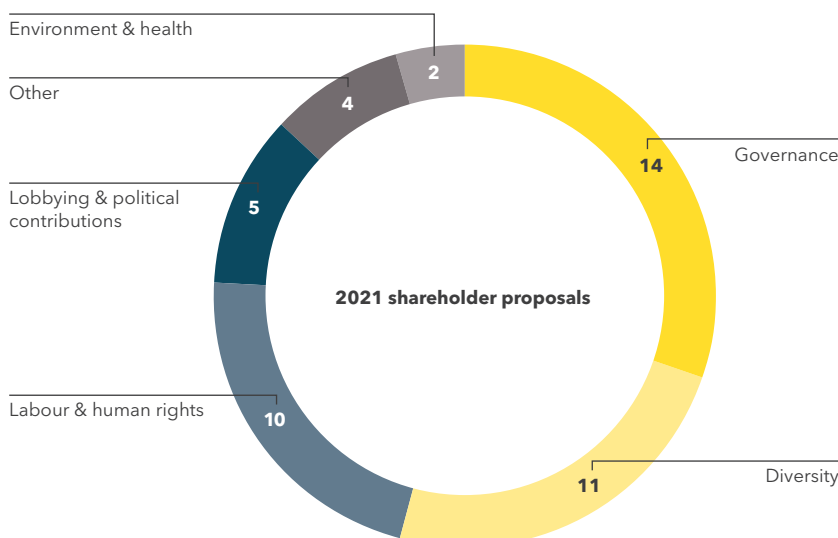


What Was Voted On?

94% of the proposals came from the boards of directors in 2021: the matters at hand were the re-election or new election of the board of directors, the approval of the financial statements (routine business), the executive board and the board of directors' compensation, and the issue or redemption of shares (capitalisation). Shareholder proposals, which accounted for just 6% of the proposals, were demands from shareholders to the boards of directors – be it on governance, social or environmental issues.

What Issues Did the Shareholders Bring Forth?

Globalance supported 46 shareholder proposals on various issues in 2021. Proposals on the topic of diversity were noticeably frequent in 2021.



Sustainability Proxy Voting Guidelines

If Globalance does not issue specific instructions, the ISS Sustainability Proxy Voting Guidelines are applied. These support shareholder proposals that promise long-term benefits for the company and society. They support calls for increased transparency and more detailed reporting, as well as calls for the recognition of international standards and principles. In the area of climate change, they promote shareholder proposals that call for disclosure of information on climate risks, greenhouse gas reduction, a climate policy and reduction targets.

Our Vote for Diversity

Movements such as Black Lives Matter and #MeToo have helped make diversity a hot topic of discussion that is accordingly prevalent at annual general assemblies. We voted on numerous shareholder proposals on the subject, and we would like to present two examples that give hope for positive change.



The global share of shareholder proposals on diversity increased from 7% in 2020 to 16% in 2021.

Microsoft

"Report on Effectiveness of Workplace Sexual Harassment Policies"

The proposal: Arjuna Capital demanded a transparent report on the effectiveness of Microsoft's policy on sexual harassment in the workplace.

Controversies: In 2012, the company was the subject of a class action lawsuit by 238 employees on the issues of "gender discrimination" and "sexual harassment". There are also reports of inappropriate relationships between Bill Gates and female employees.

Microsoft's point of view: The proposal was considered unnecessary as reporting on sexual harassment and gender discrimination was supposed to start in the same year.

How Globalance voted: for the proposal.

Result: The proposal was passed with 78% in favour.

Tesla

"Report on Diversity and Inclusion Efforts"

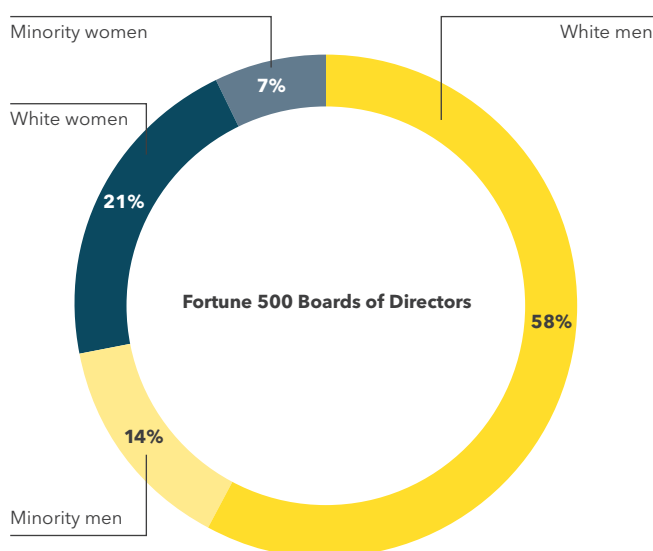
The proposal: Calvert Research and Management requested more detailed reporting on diversity, including targets and metrics that the board would use to assess the diversity programme's success.

Controversies: There have been various controversies – from accusations of racism to sexual harassment and gender discrimination.

Tesla's point of view: The company considered the current reporting to be sufficient.

How Globalance voted: for the proposal.

Result: The proposal was passed with 54% in favour.



The share of white women on boards of directors is increasing the fastest. The inclusion of minorities (especially women), however, is progressing sluggishly. (Minorities make up 42% of the American population.)

The Globalance View

Our commitment to diversity and equality does not require any grandiose rationalisation. It goes without saying.

Or does it? Many players in the financial sector feel obliged to put forward business arguments for diversity. For example, we often hear that having more women in management and on the board of directors improves performance and that they take better care of their employees in times of crisis.

We do not disagree. But there are more fundamental issues at stake: equality is a fundamental right.

Unfortunately, implementing this principle is no easy task and will require great efforts yet. Nevertheless, the votes at Tesla and Microsoft show that these efforts are worthwhile. They are symbolic victories on this path, calling upon the boards of directors of these companies to take concrete action.

Proposal Against Plastic



Almost half of all plastic production took place in the years since 2000. Of all the possible uses, packaging material is considered the least sustainable: it is used once and then thrown away. Despite this, 40% of plastic is produced for packaging purposes, with Amazon being one of the biggest consumers. This shareholder proposal sought to change this.

Amazon

"Report on the Impacts of Plastic Packaging"

The proposal: As You Sow and Green Century called for an annual report on "plastic" that estimates the amount of plastic packaging material consumed in Amazon's operations and outlines its goal and strategy to reduce it.

Amazon's point of view: The company assessed the existing initiatives and reporting as sufficient.

How Globalance voted: for the proposal.

Result: The proposal was rejected with 35% in favour.

The Globalance View

The shareholder proposal is relevant for two reasons. Firstly, plastic should only be used for important purposes, not for packaging. Secondly, companies need to publish better data. Amazon listed many initiatives and successes in reducing plastic in its 2020 Sustainability Report, but no actual consumption figures were published - despite the fact that Amazon is likely to be one of the world's largest consumers of plastic. At the United Nations Environment Assembly in early March 2022, it was decided to develop a legally binding treaty against plastic pollution, a draft of which is to be completed by 2024. This crucial step towards a circular economy will also force companies like Amazon to take decisive action.

Platforms Need More Social Sensitivity

Twenty years ago, we were still searching for information in dusty encyclopaedias – today we can hardly imagine life without search engines like Google or Safari. Social media like YouTube or Facebook have also massively changed our lives. On the one hand, for the better: We are connected, information flows quickly and effortlessly, people can easily organise themselves in crisis situations – be it for relief or demonstration purposes. On the other hand, such platforms also changed things for the worse: they are misused to manipulate public opinion and to spread disinformation. The extent to which platform operators need to take responsibility for content is a controversial topic of discussion. What is required is a balancing of interests between the right to freedom of expression and the need to combat content with possible violations of the law.

Alphabet

(Parent company of Google and YouTube)

"Require Independent Director Nominee with Human and/or Civil Rights Experience"

The proposal: Arjuna Capital called for a candidate for the Alphabet board of directors with human or civil rights experience. The proposal was based on the estimate that Alphabet controls 90% of the search market and thus has a huge responsibility to prevent human and civil rights abuse on its platforms (for example, privacy violations or hate campaigns).

Controversies: Critics accuse YouTube of providing a platform for extremists – for example, the company was heavily criticised for allowing the broadcast of the terrorist attack in New Zealand. Another accusation raised against the company claims that YouTube's and Google's approach to generating clicks and advertising money leads users to racist, violent and discriminatory content.

Alphabet's point of view: The proposal was considered unnecessary as the company already works on the issue of human rights and the current board of directors was considered capable of dealing with this issue.

How Globalance voted: for the proposal.

Result: The proposal was rejected with 10% in favour.

The Globalance View

Social platforms have been under scrutiny, at the latest, since it was proven that Russia demonstrably tried to influence the US presidential election in 2016 and the Brexit vote. Not only is the protection of privacy at stake, but also the protection of our democracies. It is precisely because companies like Alphabet refuse to take responsibility for all published content, as publishers do, that other steps are needed to raise awareness and strengthen the sense of responsibility. For example, by appointing suitable people to the board of directors.

Therefore, the extreme lack of support for the shareholder proposal is regrettable, but it is no coincidence. Over 50% of the voting rights are controlled by only a small circle of insiders (including co-founders Larry Page and Sergey Brin).

An aerial photograph showing a massive glacier flowing from a mountain range into a dark, turbulent ocean. The glacier's surface is highly textured with numerous crevasses and ridges. The water around the glacier's edge is dark and swirling, indicating a calving process. The sky is a pale, hazy blue.

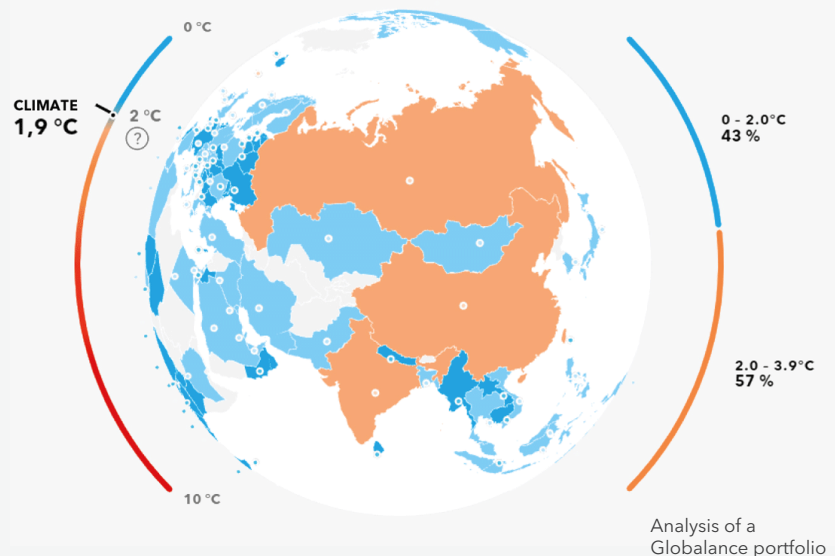
A Letter for the Climate

Climate change is the greatest challenge of this century. And investors in particular stand to play a critical role in guiding the economy towards the Paris Agreement's climate path.

As a relatively small player, it is a challenge to be heard by companies. But our founding history and the Globance World platform – as well as the climate figure visualised there – earn us respect in dialogue with companies. In 2021 we asked ten of our portfolio companies to look at their Warming Potential.

What Does “Warming Potential” Mean?

If the whole world were to follow the climate ambitions of the analysed company, the Warming Potential would be the temperature that the climate would warm up to.



Our Questions to the Companies

- What data would you use to estimate your company's Warming Potential?
- Do you agree with MSCI's methodology, which attributes a Warming Potential of X °C to your company?
- What do you see as the most effective leverage points to get your company's Warming Potential to the Paris target of 2 °C faster? What are the respective target emissions by 2030?

Aims of Our Letter on Warming Potential

- To show investor interest in the topic of climate change and climate targets: this is essential to motivate companies to achieve the most ambitious reduction targets possible.
- To draw companies' attention to their Warming Potential and encourage them to engage with it.
- To encourage companies that are particularly advanced in their implementation of climate goals to publish more positive self-reporting.

Results of the Dialogue

Three of the companies contacted came into dialogue with us: First Solar, METTLER TOLEDO and Roche. The companies had one theme in common: Scope 3 emissions. These are indirect emissions from the supply chain and during the use phase of the products. They are also included in the calculation of the Warming Potential. Measuring Scope 3 emissions correctly is a challenge that all three companies face. They indicated that they do not currently have Scope 3 emissions

data (First Solar) or that they are working on mapping it (METTLER TOLEDO and Roche).

A second exciting topic came up from the dialogue with First Solar: emissions that are avoided through the use of their products – particularly relevant for a photovoltaic producer. According to the company's calculations, its products avoid 10 times as many emissions as the company emits itself. These are also taken into account in the calculation of the Warming Potential.

There Is Strength in Numbers

Investor coalitions are an effective means of exerting influence, as the resources and proportion of ownership shares in the company, and therefore potential influence, are pooled together. Globalance participated in two investor coalitions in 2021.

CDP: Transparency Is the First Step Towards Improvement

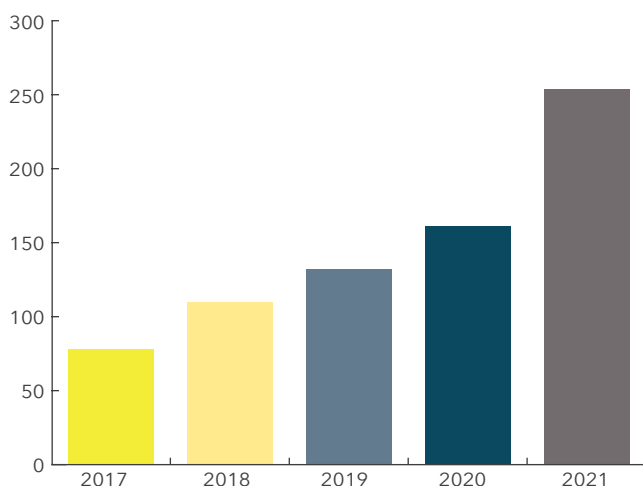
Complete, reliable and comparable data is essential to hold companies accountable and to demand meaningful reduction targets from them. This is the focus of the Carbon Disclosure Project (CDP).

CDP is a non-profit organisation that collects environmental data from companies. Every year, it runs a campaign in which investors call on companies that have not yet published their data to do so. This is indeed an effective approach: a company is two to three times more likely to join the CDP if it has been contacted by investors.

In 2021, we took over the investor leadership for five companies, meaning we wrote to these companies directly on behalf of the investor group. In the case of three other companies we co-signed the letters requesting the publication of environmental data. As a result, two companies, namely Amazon and JUST EAT Takeaway, published their data with CDP.

CDP's Matteo Brezza on the campaign: "The 2021 campaign was by far the most successful since I joined CDP. Over 300 new businesses have joined – that's a huge number."

Number of Investors in the CDP Campaign



Swiss Sustainable Finance (SSF): Controversial Weapons in Important Market Indices

The topic of weapons has been on everyone's lips since the war in Ukraine broke out – even weapons manufacturers want to be classified as sustainable again. In the case of controversial weapons, for example chemical weapons or cluster bombs, there is no need for this discussion. Their use is generally condemned by the international community.

Between 2018 and 2021, the Swiss Sustainable Finance (SSF) association conducted an initiative on the topic: in an open letter, SSF called on index providers to exclude controversial weapons from mainstream indices. Dialogues were then held with various providers, such as Morning Star.

We are a member of SSF and supported the initiative. For us, the exclusion of controversial weapons is not a matter of sustainability, but goes without saying. In fact, this is becoming more and more the standard: 48% of professionally managed assets in Europe already exclude controversial weapons.

Nevertheless, no index provider could be persuaded to make further concessions. Sabine Döbeli, CEO of SSF, says: "We were aware from the beginning that this is a very ambitious goal, which cannot be achieved that easily." However, one aim of the initiative was entering into dialogue with these providers and making them aware that many investors do not want to finance the production of cluster bombs.

More and more investors are seeing the benefits of transparent environmental data – so the number of investors participating in the initiative is increasing every year.

Globalance Shareholder Engagement Guidelines

The principles of responsible investing are the foundation of the Globalance philosophy and mission: We enable investors to successfully invest in pioneering companies that are solving global challenges and shaping a positive future.

Our commitment to active ownership and fully exercising our co-determination rights is also reflected in the United Nations Principles of Responsible Investing, UN-PRI.

Our guiding principles described below follow the recommendations voiced in the Stewardship Principles of the International Corporate Governance Network, ICGN.

1) Internal Governance

We see engagement and the exercising of co-determination rights as an integral part of our fiduciary duty to our clients. The board of directors, executive board and all staff ensure the supervision, strategy and execution of our engagement programme.

2) Scope of the Application

The systematic assessment of the sustainability and impact of all financial investments on the economy, society and the environment is integrated into the entire investment process (selection, portfolio management, monitoring).

We account for our assessments in real time. Our reporting (including Globalance World) achieves world-leading transparency.

We apply engagement to all asset classes. Listed companies are subject to direct engagement, while collective investments are engaged with indirectly through the corresponding managers.

3) Dialogue with Companies and Investor Coalitions

We see engagement as an effective instrument for promoting sustainability, a forward-looking approach as well as long-term performance in companies.

We maintain a direct dialogue (appropriate for our size) with selected companies that we have invested in. In doing so, we place our main emphasis on increasing the sustainability ambition and integrating it into business models and strategies.

We join selected investor coalitions to create more impact for our invested capital through pooling.

4) Exercising Voting Rights

We take full advantage of our clients' voting rights. Our international voting behaviour is guided by the principles of sustainability.

5) Promoting Long-Term Performance and Sustainability

Promoting the long-term sustainability of our investments is at the heart of all our investment decisions as well as our engagement. This includes solving global challenges and shaping a positive future.

6) Reporting

We disclose our voting behaviour and report regularly on our engagement activities.

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