



**Wealth –
Power to Change**

Stewardship Report 2023



State of Scientific Research

Collaborative Initiative: "Nature Action 100"

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«Be a Better Capitalist» - A Campaign by Globalance

Shareholder Engagement or Stewardship? Clarification of Terms.

"Be a Better Capitalist" means taking responsibility, leaving behind outdated business models that harm our planet and instead investing capital in the opportunities offered by future-oriented technologies. These offer attractive potential returns and preserve the quality of life and the natural resources on our planet. With this campaign, Globalance is motivating more and more asset owners to become active.

The term "stewardship" is used to describe internationally recognised principles of good asset management. The term describes "the careful and responsible handling of something that has been entrusted to you". "Stewardship" was previously little known in German-speaking countries but became official in Switzerland with the launch of the "Swiss Stewardship Code" in 2023. Globalance is following this conceptual clarification: we are now calling our report the "Stewardship Report".

We Make Ourselves Heard

We consider it our mission to put the power of the assets entrusted to us to work using a forward-looking approach. We therefore approach the companies with specific, precise questions and concerns following an extensive internal analysis.

So far, almost all of them have agreed to such engagement. Those responsible see that we bring in a valuable external perspective, for example our own analyses, new tips and ideas. With this focussed and partnership-based approach, we make our voice heard. We present the highlights from 2023 in this report.

This active shareholder behaviour was given additional legitimacy by the introduction of the "Swiss Stewardship Code" in 2023: Globalance has long honoured these guidelines and sees them as a pillar of its fiduciary duty and philosophy of responsible investing.

In 2023, we took an even closer look at the climate strategies of the companies we have invested in. In particular, we are working towards companies including all major emission categories and committing to ambitious interim targets. Several discussions have already also been held on "biodiversity" - a topic we want to expand on in 2024.

Our customer survey in autumn 2023 confirmed that stewardship is not only being met with great

In 2023, we took an even closer look at the climate strategies of the companies we have invested in.

interest among our customers, but is increasingly being expected of us. We want to continue to live up to this claim. With this in mind, we welcome any feedback.



Peter Zollinger
Head of Impact Research



Salome Bechtler
Head Research Analyst

Moving More Than Money

Investing in Sustainability

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

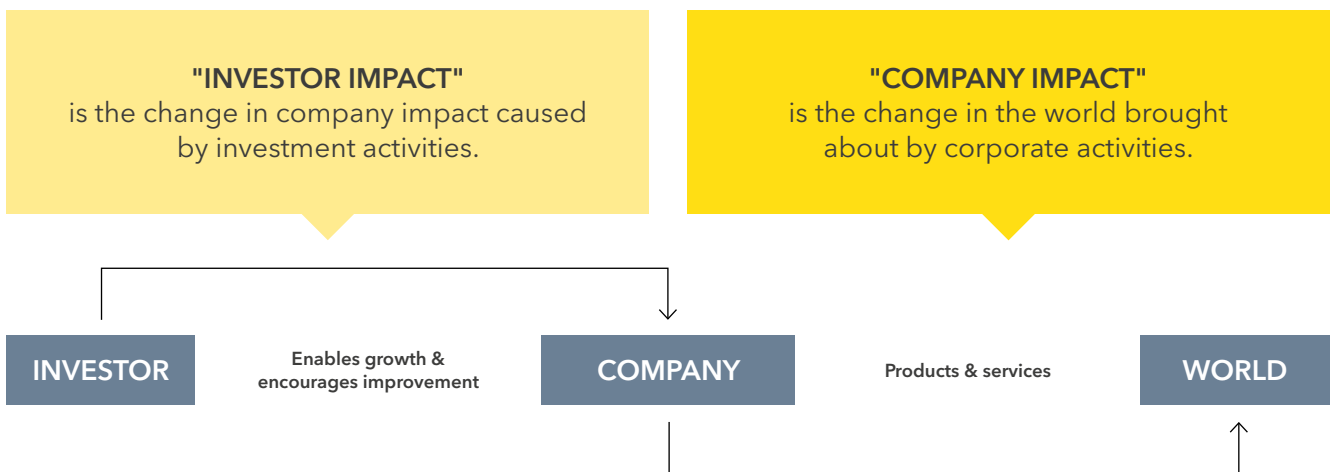
How We Achieve a Positive Impact

When investors provide working capital to an SME, invest in a wind farm, or grant a loan to a microfinance bank, a direct "investor impact" can be recognised (see chart). This impact would not have happened without that investment. The criterion of additionality is fulfilled.

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 (indirect impact). In order to also have a direct impact, we use active dialogue to strengthen the sustainability ambitions of the companies we invest in (active engagement).

Our engagement is guided by our aspiration to achieve or to promote selected positive results in a targeted manner. To achieve this, we as active owners must understand the intricacies of the different levels of impact in detail. Globalance takes care of this preliminary work through systematic analyses.

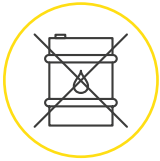
The Impact Categories



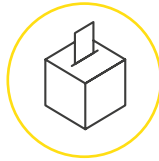
Source: Heeb, Florian / Kölbel, Julian: The Investor's Guide to Impact, 2020, p. 4.

Investors bring about positive change when they promote the growth or ambition of companies that make a positive difference ("investor impact"). It is these companies, for their part, that generate the actual positive effect with their products and services ("company impact").

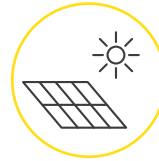
How Investors Make an Impact



Signal that impact matters (for example, by excluding harmful industries)



Engage actively with companies we have invested in



Grow new or underserved capital markets (for example by financing a solar farm)



Provide flexibility on risk-adjusted return

Globalance Strategies

Source: Impact Frontiers: Investor Contribution Strategies, <https://impactfrontiers.org/norms/investor-contribution/> (retrieved on 16/11/2023).

What Is Active Ownership?

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.

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 change indirectly through dialogue with fund managers.

ENGAGEMENT AS INDIVIDUAL INVESTOR

Engagement Input

Multi-Year Engagement

ENGAGEMENT COALITION

Joint Dialogue or Submission of Shareholder Proposals

Engagement Initiative

PROXY VOTING

Companies Listen to Investors if the Focus Lies on Key Issues

Shareholders have influence on companies. But both sides benefit from continuous exchange. Their interactions are complex and interdependent. In detail, the causal relationships are sometimes difficult to prove, but as a whole, regular dialogue contributes to improved communication, targeted expectation management and better decisions on both sides.

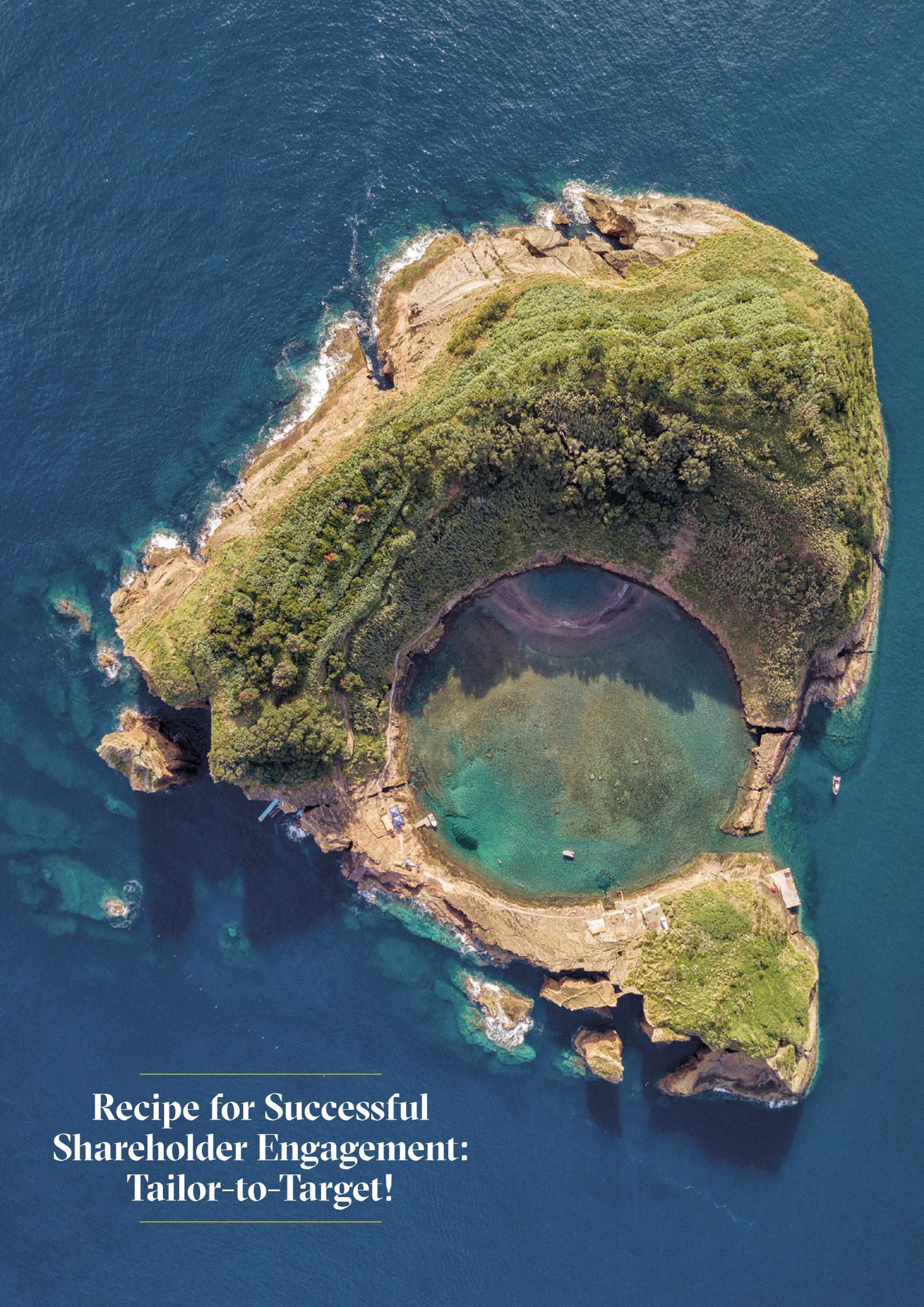
"One single initiative rarely leads to an immediate result. Shareholder and company interaction should rather be understood as a complex, dynamic and adaptive system."

Kevin Chuah, Northeastern University

How Engagement Supports Both Companies and Investors

Corporate Side	Value Creation Dynamics	Investor Side
<ul style="list-style-type: none"> Clarifying expectations & enhancing accountability 	<p>Communicative dynamics</p>	<ul style="list-style-type: none"> Signalling & defining expectations
<ul style="list-style-type: none"> Anticipating, getting feedback, and benchmarking 	<p>Learning dynamics</p>	<ul style="list-style-type: none"> Contextualising investment decisions
<ul style="list-style-type: none"> Strengthening internal support Enhancing the loyalty of long-term investors 	<p>Political dynamics</p>	<ul style="list-style-type: none"> Meeting client expectations Strengthening the role of active owners

Inspired by: PRI: How ESG Engagement Creates Value For Investors And Companies, 2018, p. 20.



**Recipe for Successful
Shareholder Engagement:
Tailor-to-Target!**



Is the Positive Impact Confirmed by Science?

Research into sustainable finance has increased significantly in recent years. Various disciplines are empirically analysing whether and how investors contribute to a more sustainable economy. We present some of the results from recent studies.

The Key Findings from the Latest Research Are as Follows:

- Shareholder engagement leads to better corporate performance for society and the environment and to better financial results. The prerequisite for this is that the engagement does not revolve around trivialities, but around topics that are essential to the business model and strategy.¹
- Active shareholder engagement leads to changes in the targeted companies' ESG ratings: companies with poor ratings improve as a result. Those with good ratings risk a negative correction if they are made aware of weaknesses. Companies that react openly and consistently to shareholder concerns also improve their financial performance.²
- The tactics used by investors are crucial. Not all forms of dialogue are equally effective. A distinction must be made between the phases 1) Establishing dialogue; 2) Developing solutions; and 3) Implementing solutions. For 1) it pays to point out problems unambiguously and to clearly articulate dissatisfaction. In the case of 2), on the other hand, a constructive approach aimed at good dialogue is more promising. Finally, in phase 3), plain language is required again.³
- Shareholder engagement has an especially strong impact on companies that are concerned about their reputation.⁴
- Investor coalitions are particularly successful when they carefully tailor their composition, distribution of tasks and approach to the target companies' receptiveness. The number of investors, the volume of jointly invested capital, the participants' engagement experience and local contacts must be carefully balanced. It is not expedient, for example, to maximise the number of investors alone if they have little local experience with the target company. The so-called "tailor-to-target" theory for collaborative engagement is strengthened by these findings.⁵
- Systematic overview studies show that engagement does not follow one-dimensional, causal rules. One single initiative rarely leads to an immediate result. Shareholder and company interaction should rather be understood as a complex, dynamic and adaptive system. Contributions from different investors complement each other, lead to dynamic feedback loops with companies and thus mutually stimulate each other. Fans of systems theory can rejoice.⁶

Globalance regularly monitors developments in research. They provide us with valuable insights into how we can continuously improve our own approach and make it more effective.

¹ Bauer, Rob / Derwall, Jeroen / Tissen, Collin: Private Shareholder Engagements on Material ESG Issues, in: Financial Analyst Journal, vol. 79, no. 4, 2023.

² Barko, Tamas / Cremers, Martijn / Renneboog, Luc: Shareholder Engagement on Environmental, Social, and Governance Performance, in: Journal of Business Ethics, vol. 180, 2022.

³ Beccarini, Irene / Beunza, Daniel / Ferraro, Fabrizio / Hoepner, Andreas G. F.: The Contingent Role of Conflict: Deliberative Interaction and Disagreement in Shareholder Engagement, in: Business Ethics Quarterly, vol. 33, no. 1, 2022.

⁴ Dimson, Elroy / Karakaş, Oğuzhan / Li, Xi: Active Ownership, in: The Review of Financial Studies, vol. 28, no. 12, 2015.

⁵ Slager, Rieneke / Chuah, Kevin / Gond, Jean-Pascal / Furnari, Santi / Homanen, Mikael: Tailor-to-Target: Configuring Collaborative Shareholder Engagement on Climate Change, in: Articles in Advance, 2023.

⁶ Chuah, Kevin / Des Jardines, Mark R. / Goranova, Maria / Henisz, Witold J.: Shareholder Activism Research: A System-Level View, in: Academy of Management Annals, 2023.

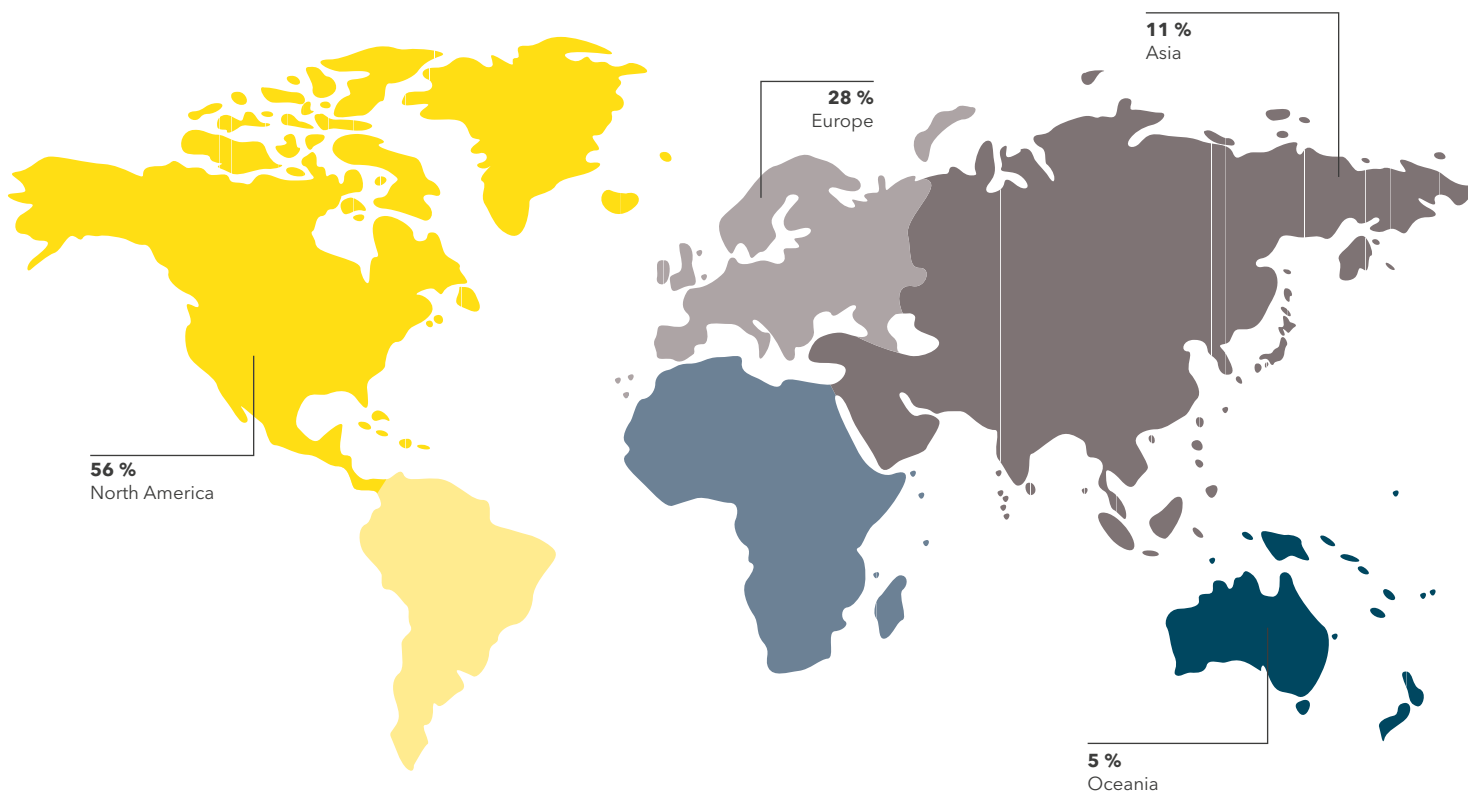


For more and continuously updated information on this topic, see the Globalance Stewardship website.

Exercising Voting Rights Worldwide Is a Duty

All voting rights should be exercised by automatic delegation to the voting proxies. Independence in terms of content and thematic principles are a must. 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?



How Often Was a Vote Cast?

84

annual general meetings

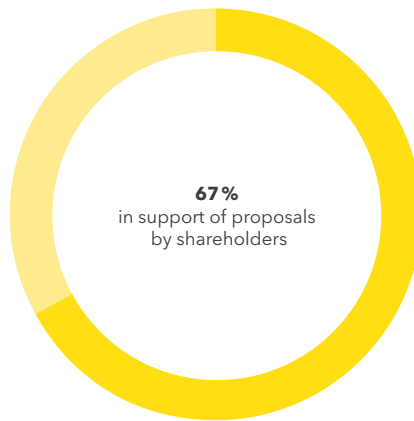
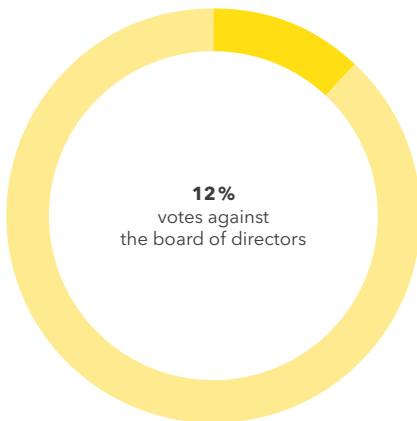
1,173

proposals

66

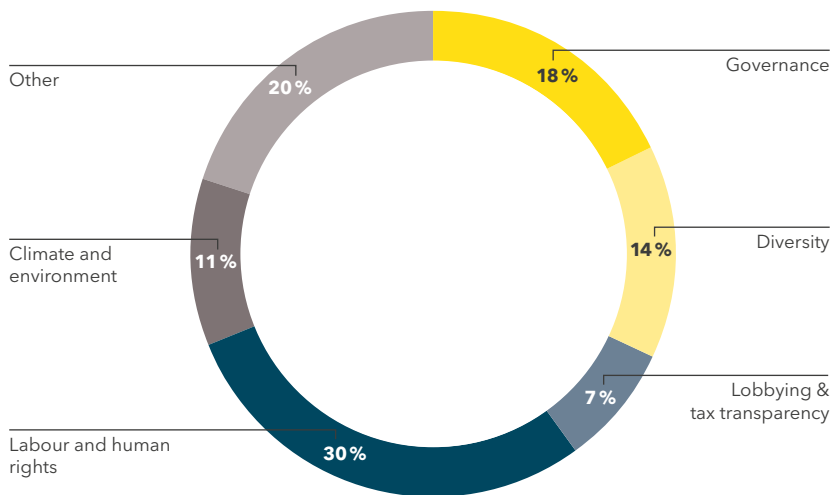
shareholder proposals

How Did Globalance Vote?



What Issues Did the Shareholders Bring Forth?

In 2023, Globalance voted on 66 shareholder proposals. As in 2022, proposals on the topic of "labour and human rights" had the strongest representation.



Shareholders Call for Consistent Lobbying in Line with Climate Targets

Shareholder proposals have been submitted to Amazon and Alphabet calling for more transparency in lobbying activities. These should be in line with the climate targets that the companies have set themselves. In the US in particular, certain associations are still questioning climate science. Companies must ensure that they are not members of associations that actively lobby against their own objectives.

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.



Globalance Climate Engagement

We consider man-made climate change and all the associated risks as one of the greatest challenges of our time. This is why our main focus during our dialogues with companies lies on their climate strategies.

43 %

of the companies in our core equity portfolio were contacted in 2023 with specific recommendations for action.

91 %

of the financed emissions¹ from our core equity portfolio are part of our climate analysis.

74 %

of the financed emissions¹ from our core equity portfolio were covered by engagement meetings on the topic of climate.

¹ Financed emissions: share of a company's emissions which an investor has proportional responsibility for due to an investment. Example: an investor holds a 1 % stake in a company and is therefore responsible for 1 % of the company's emissions as so-called financed emissions.

Our Climate Engagement in Five Steps

1

We prioritise companies with a major impact on the climate.

2

We analyse the companies on the basis of five criteria.

3

We formulate tailored recommendations for improvement for each company.

4

We discuss our findings and demands with company representatives.

5

We track and follow-up on the companies' progress.

Criteria for Analysing Companies

Greenhouse Gas Reporting

- Are the relevant emissions published?
- Are the published emissions verified by a third party?

Greenhouse Gas Reduction

- Has the company already achieved relevant emission reductions in the past?

Greenhouse Gas Reduction Targets

- Does the company have ambitious emission reduction targets?
- Are the relevant emission sources part of the targets?

Measures to Reduce Greenhouse Gas Emissions

- Are specific measures to achieve the announced targets published?

Climate Governance

- Is the topic of climate under the supervision of the Board of Directors?
- Is there a person with climate expertise on the Board of Directors?
- Is management remuneration linked to the communicated climate targets?



We publish a list of our recommendations to companies on our website.

Best Buy: Greater Transparency Needed on Climate Measures



The Situation

The US retailer Best Buy is pursuing ambitious climate targets at operational level. However, 90 % of the company's total greenhouse gas emissions come from energy consumption during the use of electronics and household appliances. Best Buy can reduce these by selling more energy-efficient appliances. Regarding these emissions, the company is aiming for a 20 per cent reduction by 2030.

Our Concern

We are demanding greater transparency regarding the assumptions this goal is based on. Are products with high energy consumption actually being removed from the range or is the company simply hoping that customers will increasingly run their appliances on renewable electricity? We expect Best Buy to explain how the company is committed to the development of energy-saving appliances and to promoting their sale through appropriate measures (e.g. targeted marketing and product placement).

Interim Results of the Dialogue

Best Buy has developed internal measures for tracking its climate progress. Energy efficiency is measured for all product categories. Little has been published on either topic to date. Globalance continues to advocate for more meaningful communication and disclosure.

ENERGY EFFICIENCY

Did you know that...

... measures to increase energy efficiency have saved 50 % more greenhouse gas emissions worldwide since 2010 than the entire expansion of renewable energy?¹

The media do not report enough on this topic, probably because it is not considered "sexy" enough. The following applies: every megawatt hour produced by fossil fuels that is saved does not have to be replaced by renewable energy.

¹Goldman Sachs: How quantifying Avoided Emissions can broaden the decarbonization investment universe, 2023, p. 1.

Sekisui House: More Grey Energy Must Be Saved

The Situation

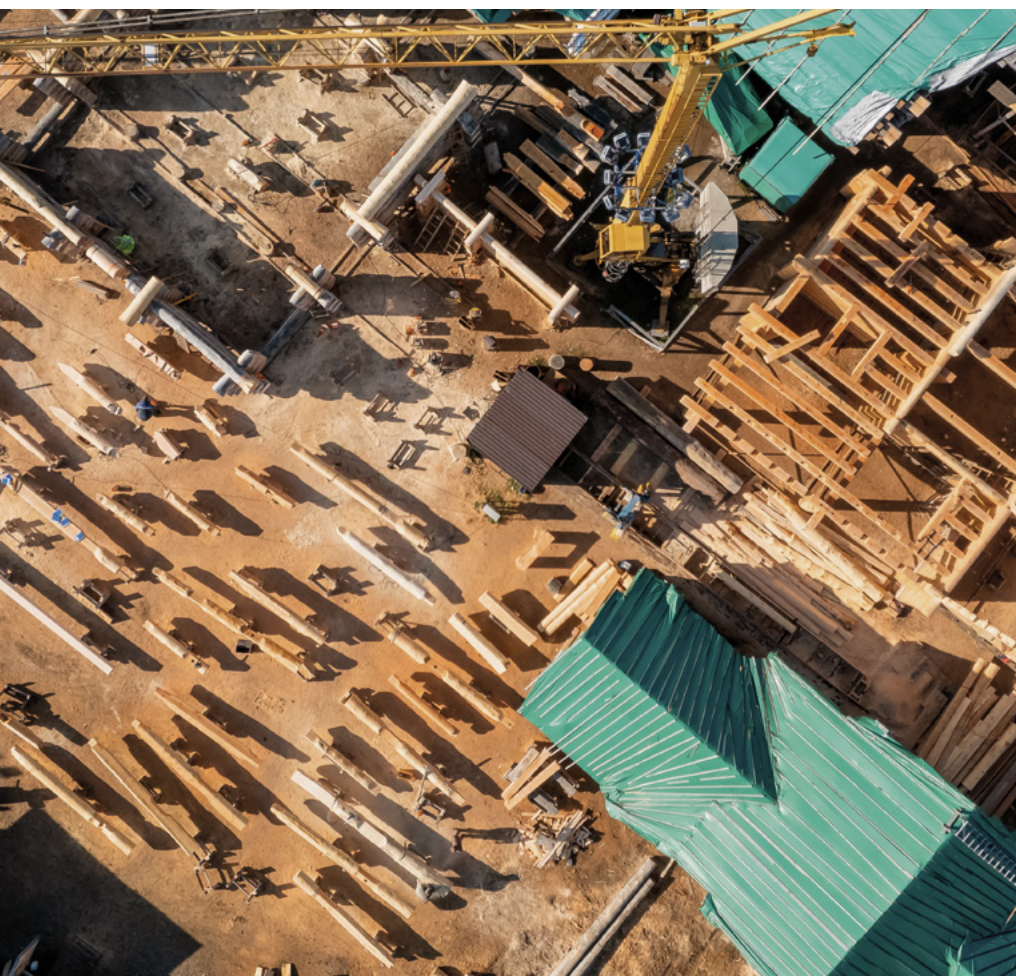
Sekisui House has achieved outstanding results in our "climate" analysis. The company has set itself ambitious goals and has already achieved impressive successes in reducing emissions during the utilisation phase of buildings with its innovative "net zero energy houses". However, the issue of "grey energy", which is contained in the materials used to build houses, is still being neglected. The company could save more emissions by reducing the use of concrete and steel.

Our Concern

We are demanding that Sekisui House systematically records the greenhouse gas emissions from new construction and adopts reduction targets for this category.

Interim Results of the Dialogue

The company confirms the established status quo. A binding declaration of intent for future recording has not been issued yet. We will keep at it.



GREY ENERGY

Did you know that...

...the same amount of energy is used for the construction of an energy-efficient building as the residents will later consume for heating, cooling and electricity during its entire lifespan?¹ The savings potential with construction is huge. Grey energy is determined by the quantity of energy-intensive materials, e.g. concrete and steel. Most grey energy can be saved through compact construction, avoiding underground car parks and making greater use of environmentally friendly materials such as wood.

¹ Gugerli, Heinrich / Frischknecht, Rolf / Kasser, Ueli / Lenzlinger, Martin: Merkblatt SIA 2032: Graue Energie im Fokus, 2008, p. 5.

Nike: Better Risk Management Against Rainforest Deforestation Needed



The Situation

By using leather, paper and cardboard, Nike runs the risk of causing the deforestation of rainforests. To prevent this, Nike traces the leather it buys back to the country of origin. In the case of leather from Brazil, suppliers must confirm to Nike in writing that the cattle were reared outside the Amazon region.

Our Concern

We demand that Nike ensures that for high-risk raw materials and countries of origin, the raw materials are traced back to the place of production. Information from suppliers alone is insufficient. An audit by an independent, qualified third-party organisation is required.

Interim Results of the Dialogue

Nike's initial response to our demands was generic and unsatisfactory. We will continue to monitor the company's progress in this area and bring up our demands again next year.

USING TECHNOLOGY TO COMBAT RAINFOREST DEFORESTATION

Did you know that...

... satellite images are freely accessible today? Organisations such as Global Forest Watch empower other organisations and companies to directly monitor the loss of the rainforest. In combination with transparent traceability of the raw materials used, this enables companies to actively combat deforestation.

How We Strengthen Stewardship of the Invested Funds

Globalance also invests indirectly through equity funds. With the selected managers we are also in dialogue on the topic of stewardship (this is a selection criterion). Their engagement and voting behaviour should be in line with our principles.

The main objective of the manager dialogue in 2023 was to update the information on the engagement and voting behaviour for the equity funds and to reinforce our expectations and priorities.

In 2022, the equity funds we invested in provided ...

39 %

of the fund companies with engagement input at meetings to motivate them to make improvements.

58 %

of the shareholder proposals to be voted on with support.

74 %

of shareholder proposals with support on the topic of climate.

47 % of the equity funds which Globalance is invested in are part of the analysis (according to AuM).

The Nordea Emerging Stars Equity Fund's Engagement with China Mengniu Dairy

China Mengniu Dairy is a Chinese dairy producer and therefore one of the largest greenhouse gas emitters in the Nordea Emerging Stars Equity Fund. The portfolio managers were in dialogue regarding the company's transition to net zero. The company's climate management is improving: in addition to the emissions figures, a net zero strategy was also published in the last ESG report. When asked whether China Mengniu Dairy is investing in alternative proteins, the representatives replied that research is being carried out in this area. Other topics to be discussed by the Nordea managers in future meetings include biodiversity, deforestation and animal welfare.



"Nature Action 100" for the Preservation of Biodiversity

Half of the global economic output is heavily or moderately dependent on "services" provided by nature (known as ecosystem services).¹ In contrast to the topic of climate, there is a direct link between "damaging nature" and "being dependent on nature" for many sectors and companies: the vast majority of "biodiversity sinners" destroy their own basis for economic success. The "Nature Action 100" investor initiative aims to counteract this. Similar to the "Climate Action 100+" initiative, which has been running for some time, it targets the 100 companies that consume the most nature, i.e. have the greatest potential to strengthen nature and biodiversity most effectively. Investor groups of four participants each develop and conduct a dialogue with one of the hundred companies. Three companies on the "Nature Action 100" focus list are among Globalance's core equities. We will be actively involved in at least one group in 2024.



We publish updates on our involvement with "Nature Action 100" on our website on an ongoing basis.

Updates on Other Investor Initiatives

We also joined the "Climate Action 100+" investor initiative in 2023 and, in addition to our own climate engagement, we will work with other investors to transition to net zero in 2024.

In 2023, we continued to actively participate in the "Carbon Disclosure Project" investor initiative: we were the signatories of the CDP's request to publish climate, forest and water data sent to five companies.

Our engagement with the "Access to Nutrition Initiative", which aims to make healthy food more accessible, will continue in 2024 with the publication of the fifth Global Index.

¹ WEF / PwC: Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy, 2020, p. 8.

Globalance Stewardship Principles

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, among others, based on 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, and now also the "Swiss Stewardship Code" launched in 2023.

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 (monitoring) and the Executive Board (implementation) are responsible for this.

2) Stewardship Guidelines

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.

3) Exercising Voting Rights

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

4) Dialogue with Companies and Investor Initiatives

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 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 collaborative investor initiatives to create more impact for our invested capital through pooling.

5) Possible Escalation

If progress is not satisfactory, we will consider the following escalation steps: letter to the Board of Directors, collaboration with other investors, shareholder proposals or divestment.

6) Monitoring Companies We Are Invested In

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.

The progress of the companies we are invested in is reviewed annually in relation to the recommendations we made.

7) Delegating Stewardship Activities

All engagement activities are carried out by Globalance itself. Our proxy voting is based on the sustainable voting guidelines from ISS and implemented technically using the ISS Proxy Voting Services platform.

8) Conflicts of Interest

Any conflicts of interest are managed in the best interests of our clients.

9) Reporting

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



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