



ENGAGEMENT POLICY

Unigestion



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INTRODUCTION

1 We strive to act as a responsible owner

As a signatory on the UN supported Principles of Responsible Investment since 2013, and as a responsible shareholder in various companies on behalf of our clients, we know that we have a duty to ensure that management teams are held to account and monitored in their corporate actions.

We engage with portfolio companies on a variety of issues. We initiate engagement by writing a letter to Management voicing our concerns and requesting a response. The intention is that this sparks a dialogue with the company, where we are then able to clarify our position, personalise the engagement, and advocate for change.

2 General Policy

Engagement activities are directed by the Responsible Investment Committee (RIC) and conducted by the Corporate Engagement Team.

We engage with portfolio companies on a variety of Directors Related, Routine Business, Reorganisation and Merger, Health & Environment, Social/Human Rights, and Corporate Governance issues by writing a letter to corporate management voicing our concern and requesting that it be addressed. The intention is that this then sparks a dialogue with management through emails and phone conversations to clarify our position, personalise the engagement, and advocate for change. This include proposals that affect: the composition, size, independence, election, removal and remuneration of the board of directors and committee members; appointment, remuneration and discharge of auditors; adoption of new articles of association; approval of charitable donations; approval of director/officer liability and indemnification; discussion on company's corporate governance structure; reorganisations and restructuring; mergers and acquisitions; initiation of share repurchase programme; approval of loan agreement; approval of transaction with a related party; adoption of proxy access rights; board diversity; climate change; community environmental impact; facility safety; phasing out nuclear facilities; review drug pricing or distribution; and review tobacco marketing.

Since 2016, Unigestion has engaged with companies on a variety of issues relating to directorship, reorganisation and mergers, health and environment, and social and corporate governance. Naturally, we raise these issues shortly before respective AGMs. We usually initiate the process by writing letters to corporate management, indicating that we are voting against them on a specific issue, voicing our concerns and formally requesting that they be addressed.

Within the framework of our ESG integration process, we have defined and incorporated a rule to identify companies within the worst decile that have also shown signs of improvement over the recent past. We have decided to keep these companies in the portfolio on the evidence that they are trying to improve, while engaging with them based on our internal evaluations of their issues. It is promising to engage with these companies as we already own them and value them in other aspects.

3 Unigestion's Guidelines

Unigestion's proxy voting is carried out by ISS based upon a customised policy built upon their International Sustainable Proxy Voting policy with enhancements to address stricter rules for Auditor and Director independence as well as the incorporation of ISS's Climate Voting Services, which uses their Climate Scorecard. As we link many of our engagements to our proxy voting activities, the Corporate Engagement Team use the categories listed above, internal investigation, as well as the research provided by ISS, Sustainalytics, TPI and others to identify appropriate candidates for engagement.

4 Resources

Engagements are conducted by the Corporate Engagement Team. The Team consists of the Head of Responsible Investment, the Corporate Engagement Coordinator, the Responsible Investment Coordinator, in-house Legal representation, the Head of Client Portfolio Management, and on an ad hoc basis, internal subject matter experts.

The letters are signed by the Head of Equities and the Head of Responsible Investment.



DIRECT ENGAGEMENT

1 Scope

We believe that well-governed businesses with responsible practices can make a positive contribution to our clients' portfolios over the long term. To that end, we currently conduct about 50-75 engagements per year whilst being invested in around 700 companies across all portfolios. We focus our engagement efforts on a select group of companies on the most material ESG factors and themes. This means we undertake multiple interactions with a company via e-mail, letter, phone call, or meetings per year, to clarify our position, personalise the engagement, and advocate for change. These engagements are systematic and begin with clear engagement objectives. We avoid engaging with too large a universe of companies at any one time as this allows us to undertake extensive, focused and in-depth engagement with the companies.

Engagement themes and companies are selected in cooperation with Unigestion's Equities Portfolio Managers and Analysts, based on financial materiality, issues emerging from the AGM, and based upon our ESG scoring. The initial research is conducted by Unigestion's Corporate Engagement Team.

Engagements usually start by explaining our engagement objectives to a companies' Investor Relations department by letter. This is typically followed by conference calls with their subject matter experts such as, Head of Sustainability, or experts in Risk or Supply Chain.

Most of our engagements are direct individual engagements. We know from experience, however, that specific collaborative engagements can be very effective. We look for collaborative engagements that are focused and well organised, and which add more power to our engagement approach. This way, we combine our individual and collaborative engagement efforts to achieve the best possible engagement results.

Our clients receive full information on our engagement activities relevant to their portfolio upon request.

2 Voting based Engagements

We engage with portfolio companies on a variety of Directors Related, Routine Business, Reorganisation and Merger, Health & Environment, Social/Human Rights, and Corporate Governance issues by writing a letter to corporate management voicing our concern and requesting that it be addressed. The intention is that this then sparks a dialogue with management through emails and phone conversations to clarify our position, personalise the engagement, and advocate for change. This includes proposals that affect: the composition, size, independence, election, removal and remuneration of the board of directors and committee members; appointment, remuneration and discharge of auditors; adoption of new articles of association; approval of charitable donations; approval of director/officer liability and indemnification; discussion on company's corporate governance structure; reorganisations and restructuring; mergers and acquisitions; initiation of share repurchase programme; approval of loan agreement; approval of transaction with a related party; adoption of proxy access rights; board diversity; climate change; community environmental impact; facility safety; phasing out nuclear facilities; review drug pricing or distribution; and review tobacco marketing.

3 Engagements based on ESG Scoring

Within the framework of our ESG integration process, we have defined and incorporated a rule to identify those companies which we hold in portfolios ranking within the worst decile of ESG scores but which have shown signs of improvement over the recent past. We have decided to keep these companies in the portfolios, based on our engagement and internal evaluation of their issues, and evidence that they are trying to improve. It is encouraging to engage with these companies since we already own them and value them for other characteristics.

4 Measuring Outcomes

In line with industry best practice, and rewarded in our PRI Assessment Report, our direct engagements with individual companies have a feedback mechanism that ensures that our Fundamental Analysts are kept informed of the issues, trends and outcomes of such activities of the companies they research. Furthermore, we have implemented an internal scale to determine the effectiveness of our engagements from 0 (no acknowledgement of our request) to 6 (complete implementation of our recommendation).

5 Reporting

Itemised Direct Engagement Reporting is available to clients upon request. Engagement summaries and examples are provided in Unigestion's Responsible Investment Annual Report.



COLLABORATIVE ENGAGEMENT

1 Overview

Unigestion participates in a number of collaborative engagement initiatives with likeminded Asset Managers and Asset Owners. These are typically lead or sponsored by responsible investment industry groups such as the Principles for Responsible Investment (PRI), Institutional Investors Group on Climate Change (IIGCC), and As You Sow among others. This can be done in a Lead or in a Supporting role.

2 Participation Decision Making

Opportunities to support our engagements through collaborative measures are brought to the Responsible Investment Committee for discussion and decision.

3 Monitoring

A member of the Corporate Engagement Team is assigned responsibility for monitoring the progress of each collaborative initiative and reporting back to the Responsible Investment Committee.

4 Examples

Please see below a very brief summary of the past and current collaborative efforts that we are participating in:

During 2017, our first collaborative engagement was completed. Unigestion and about 30 other PRI signatories had participated in a **PRI coordinated Collaborative Engagement on Carbon Disclosure** with 130 large global corporations suspected of producing excessive carbon footprints that they were not reporting. Letters were sent to these companies urging them to disclose their full and complete carbon footprint to investors. Many of the companies we engaged with responded positively to our request and we saw increased transparency from some.

Unigestion signed up to **Climate Action 100+** in 2017. This five-year initiative is focused on engaging with the 100 largest global carbon emitters and a further 61 regionally significant emitters. The goal is to have them address how their businesses remain viable in a world that is constrained to a maximum of a two degree Celsius temperature rise by 2030. To date, 450 asset owners and asset managers, including Unigestion, with combined assets of USD 40 trillion support this initiative.

To further our work on Climate Action 100+, we are also participating in the **PRI-lead Oil & Gas Collaborative Engagement**. Together with 125 signatories representing approximately USD 6.3 trillion of investments, we are engaging with companies active in the Oil & Gas industry.

In line with our commitment to engaging in support of Sustainable Development Goal 13, Climate, we have also recently signed on to the **PRI's Investor Expectations Statement on Climate Change for Airlines and Aerospace Companies**.

One worrying recent development has been the SEC's release of a set of draft rules that, if passed, would greatly impact the ability of proxy voting firms, such as ISS, to conduct their business. We rely substantially on their impartial analyses and recommendations on corporate issues as we vote on over 10,000 items per year. We, and a number of PRI signatories, have sent a letter to the SEC in support of the value that proxy voting firms bring to the industry.



CONFLICTS OF INTEREST

1 Policy on Engagement and eventual conflicts of interest

Unigestion (the "Firm") is under regulatory obligations to identify actual and potential conflicts which may arise during the course of carrying out regulated or ancillary activities or services and to have systems and procedures in place to manage such conflicts.

The Firm shall take all appropriate steps to identify and to prevent or manage conflicts of interest across the Firm and measures have been put in place to manage such conflicts in a way that is fair to clients.

All employees and persons directly or indirectly linked to the Firm are expected to exercise the highest standards of integrity and ethical business conduct to ensure the fair treatment of clients. All employees are required to avoid situations in which their personal interests conflict with our fiduciary duties to clients. They are also required to manage situations where the interests of clients may conflict.

For the purposes of identifying the types of conflict of interest that arise, or may arise, in the course of providing a service and whose existence may entail a material risk of damage to the interests of a client, the Firm must take into account, as a minimum, whether the Firm or a relevant person, or a person directly or indirectly linked by control to the Firm:

- ▶ is likely to make a financial gain, or avoid a financial loss, at the expense of the client
- ▶ has an interest in the outcome of a service provided to the client
- ▶ has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client
- ▶ carries on the same business as the client
- ▶ receives or will receive from a person other than the client an inducement in relation to a service provided to the client, other than the standard commission or fee for that service.

The Firm will record each of the conflicts it identifies in its Conflicts of Interest Register. The register will identify each of the circumstances that may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients. Each entry will identify the investment service or ancillary service carried on by the Firm to which the conflict relates. The record will also specify the procedures adopted by the Firm to prevent or manage the conflict that has been identified. The Conflicts of Interest Register is maintained, and regularly updated, by the Compliance Officer.

Risks specific to engagement are mainly that engagement decisions are flawed because of lack of independence. Examples could include:

- ▶ The person taking the engagement decision is not independent with regard to the issuer in question;
- ▶ The company to be engaged with is also a client of Unigestion; or
- ▶ Unigestion directors are acquainted with the board members of the company being engaged with.

To manage and prevent such risks occurring, and in addition to the regular monitoring & controls of our Compliance department, several measures have been taken:

- ▶ All employees must report their holdings on a quarterly basis as part of the personal dealing policy.
- ▶ All employees and directors must disclose and Unigestion must approve any outside interests or directorships they hold.
- ▶ Should we decide not to follow the Policy, the four-eyes principle applies, the Responsible Investment Committee must approve the decision, and this decision is documented.
- ▶ An engagement review is performed monthly by our Responsible Investment Committee.

Employees are made aware of the policies and procedures in place that are designed to identify and manage possible conflicts through their normal business operating procedures, ad-hoc guidance from the compliance department, training and normal day to day business communications.

The Firm's standard employment contract requires staff to devote their full time and efforts to the Firm's business. Employees are prohibited from undertaking any other employment or engage or be involved or interested in any other business without the prior written consent of the board. The Compliance Officer maintains an Outside Interests Register for this purpose.

All staff and directors are required to sign an annual Interests declaration.

To manage any potential conflicts of interests the firm has put in place a number policies and procedures to mitigate and control the risk. Such policies include but are not limited to:



- ▶ The Firm's Code of ethics
- ▶ Risk Management Policy providing for the independent performance of the risk management function
- ▶ Market Abuse Policy
- ▶ Bribery & Corruption Policy
- ▶ Personal Account Dealing Procedure
- ▶ Gifts and Benefits Procedure
- ▶ Policy on the use of in-house products
- ▶ Treating customers fairly policy
- ▶ Allocation and Aggregation policy
- ▶ Stewardship Code

General organisation arrangements such as independent valuation committee, risk management committee, four eyes principle, segregation of duties, information security and remuneration structures help to underpin this effort.

The Firm monitors adherence to these policies and procedures through its compliance monitoring program on an on-going basis.

The Firm believes that it does not currently have any conflicts of interest risks to disclose that are not appropriately managed.



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