

Engagement policy for client asset management



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Introduction

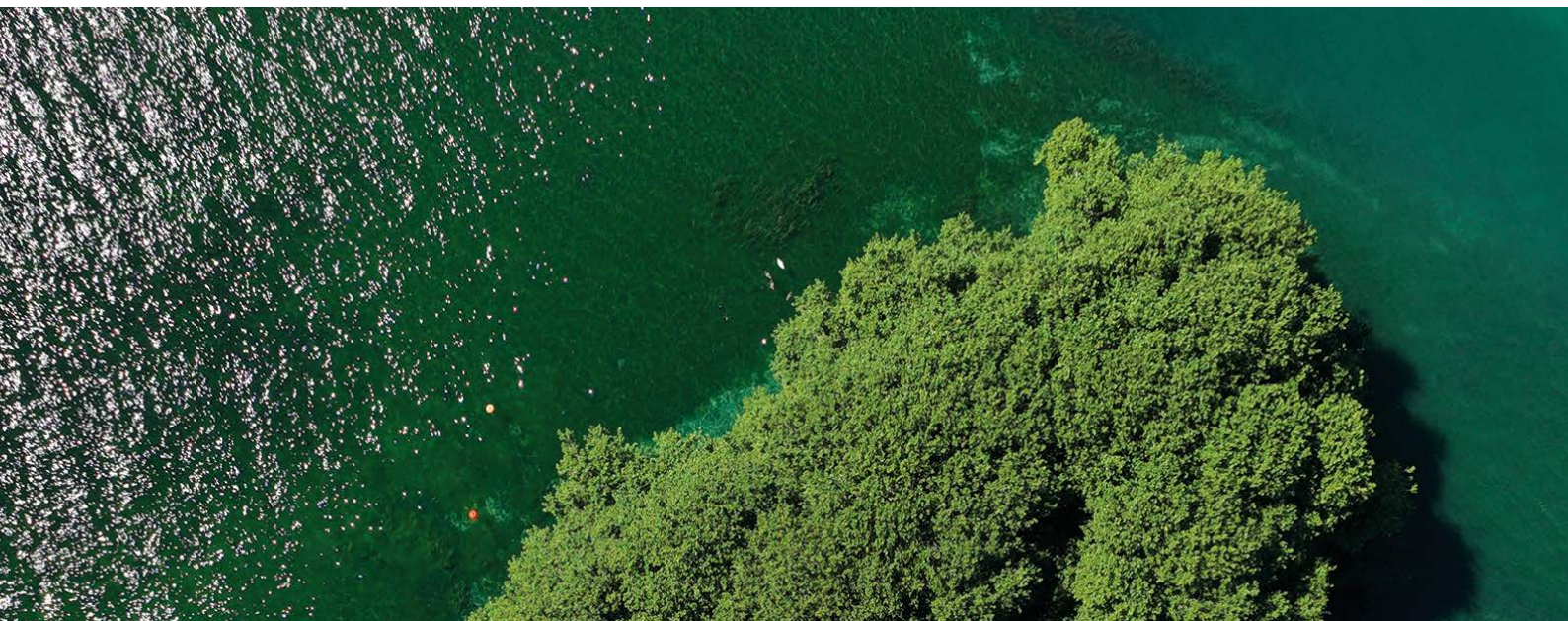


Active ownership has two key components: shareholder engagement and proxy voting. Shareholder engagement involves maintaining a dialogue with company management on environmental, social, and governance (ESG) issues, while proxy voting at general meetings enables shareholders to directly influence a company's strategic decisions.

We take an active ownership approach to managing our clients' investments, with the aim of enhancing the overall value of those investments over the long term. We seek to influence the companies whose shares are held in our clients' portfolios, in order to encourage them to factor ESG criteria into their business activities. This approach can also be a major driver of positive change within society as a whole.

As an asset manager with a long-term vision, Banque Cantonale Vaudoise (BCV) seeks to adopt a best-practice approach when engaging in active ownership. In our fund management activities, we have established a voting policy with regard to Swiss and non-Swiss companies. Under this policy, we use Ethos's proxy voting recommendations to determine our position on each of the items submitted to a vote at the general meetings of companies.

This document formally sets out the main lines of BCV's engagement policy.



Overall approach and scope



Our engagement policy is aligned with the Swiss Stewardship Code, drawn up by the Asset Management Association Switzerland (AMAS) and Swiss Sustainable Finance (SSF), and the United Nations Principles for Responsible Investment (UNPRI), to which BCV is a signatory. The UNPRI's Principle 2 on active ownership underscores in particular the importance of engagement.

We believe that engagement is key to maintaining and increasing long-term value for all our stakeholders.

The aim is to ensure that the companies in which we invest on our clients' behalf incorporate ESG best practices into their business operations and can adapt to the risks associated with the transition to a responsible, low-carbon economy.

We intend to regularly analyze our means of action in order to further develop our engagement activities and have formally set out the principles underpinning our approach in this engagement policy.

We consider engagement to be a fundamental component of our fiduciary duty to investors who have entrusted us with the management of their portfolios. This policy therefore applies to a large portion of our investment products and services, including:

- investment funds managed by BCV
- discretionary management agreements.

In terms of scope, it covers both Swiss and non-Swiss companies, as well as Swiss real-estate investment vehicles.

Governance

We consider engagement to be a central part of our socially responsible investment.

We have set up a dedicated governance structure in order to apply our SRI policy uniformly and consistently across our asset management activities.

Corporate Social Responsibility (CSR) Committee

Our CSR ambitions and strategy are set by the Executive Board and approved by the Board of Directors, which also approves BCV's annual sustainability report.



The CSR Committee submits recommendations to the Executive Board on the objectives and approaches that BCV should adopt on all CSR-related topics. It is responsible for identifying and assessing sustainability-related opportunities and determining the measures we will adopt in each of BCV's business lines. The committee also approves this engagement policy.

The CSR committee is chaired by the CEO and includes the heads of our Asset Management & Trading Division, Credit Management Division, and Private Banking Division, as well as the head of Corporate Social Responsibility and representatives from the business lines in question.

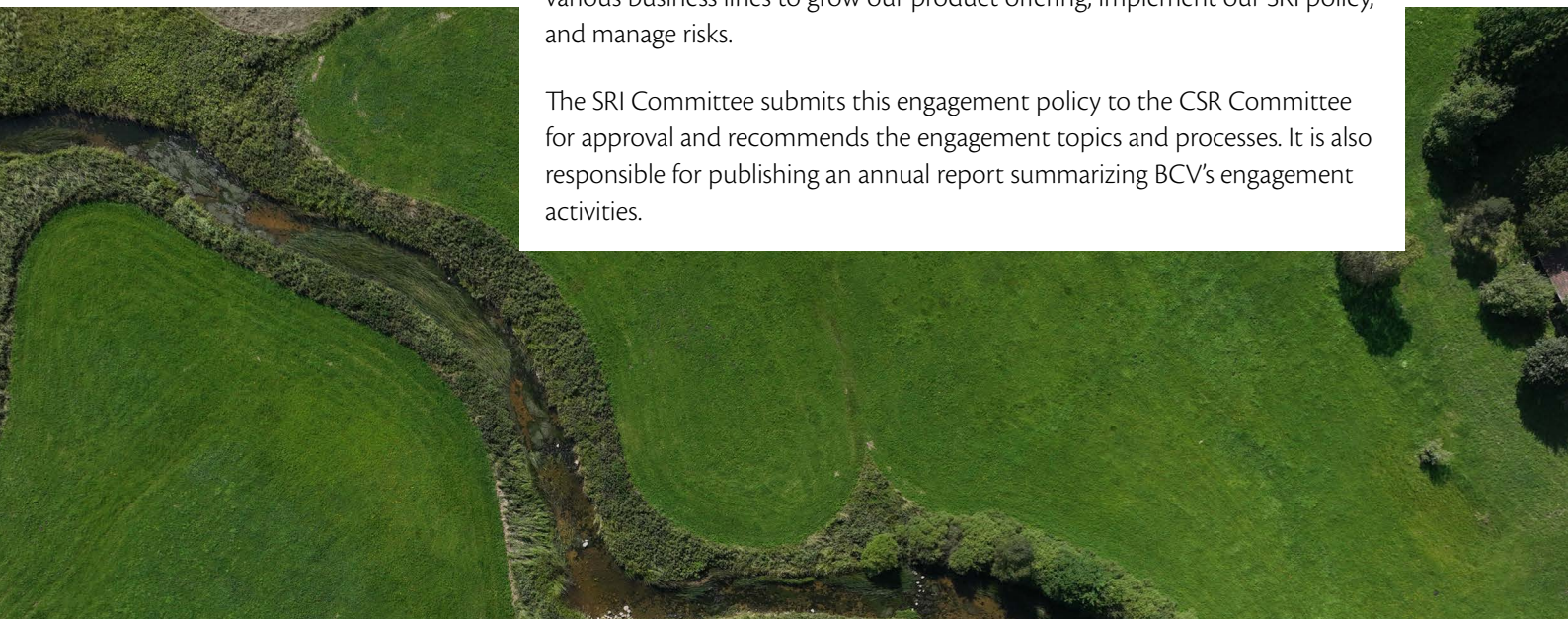
Socially Responsible Investing (SRI) Committee

This committee steers BCV's SRI policy, identifies priorities in this area, verifies that projects are consistent with each other, ensures that the SRI policy is implemented in our investment policy and methodology, and approves our SRI documentation. The SRI Committee is chaired by the head of our Asset Management & Trading Division and reports on its activities to the CSR Committee.



The committee collaborates with working groups and teams from BCV's various business lines to grow our product offering, implement our SRI policy, and manage risks.

The SRI Committee submits this engagement policy to the CSR Committee for approval and recommends the engagement topics and processes. It is also responsible for publishing an annual report summarizing BCV's engagement activities.



Engagement themes



BCV has identified a number of ESG issues that it wishes to focus on. From these, we have identified four broad engagement themes: climate change, human rights, corporate governance, and biodiversity. All of these engagement themes are aligned with our CSR strategy.

Climate change

We want to contribute to achieving the goals of the Paris Agreement and the commitments of the Swiss federal government and the Vaud climate plan. To that end, we encourage companies to be transparent about their greenhouse gas emissions and to set credible targets and plans for reducing them.

Human rights

At BCV, we believe it is essential to respect human rights and we seek to continuously improve company practices in that area, in line with the United Nations Guiding Principles on Business and Human Rights.

Corporate governance

We seek to promote good corporate governance practices by systematically exercising our voting rights in investee companies. We place particular emphasis on the independence of board members and matters relating to executive compensation.

Biodiversity

BCV places a particular focus on the issue of biodiversity. We expect companies to consider their biodiversity risks and impacts and to take measures to mitigate them.

Engagement approaches

In order to develop an effective engagement policy, BCV has identified three main approaches based on its asset-management business model. We choose from among these approaches when conducting our engagement activities.



Direct engagement

With this approach, BCV conducts dialogue directly with the management of investee companies. We do this on an individual, targeted basis to ensure that we apply our SRI policy consistently. This is our preferred approach for asset classes in which we can exert influence, such as Swiss indirect real estate.



Indirect engagement

Our teams engage indirectly with investee companies through Ethos, an external service provider that offers shareholder engagement services. We make sure that any dialogue delegated to third parties is in keeping with our internal principles and engagement policy. We remain responsible for the effectiveness of that dialogue and report on the outcomes ourselves.



Collaborative engagement

This approach entails actively taking part in pooled engagement initiatives, in which dialogue with companies is conducted jointly with other investor groups. For example, since 2023 BCV has been a signatory to Climate Action 100+, an investor-led initiative to encourage the world's largest corporate greenhouse gas emitters to take necessary action on climate change.

We are committed to conducting dialogue over the long term for all asset classes in our clients' portfolios, both in Switzerland and further afield. Indirect engagement is the approach we use most often.



Engagement process

The process by which we initiate and conduct dialogue with issuers depends on the engagement approach chosen. We believe that successful engagement requires us to speak openly with company management, listen to their point of view, and be pragmatic about what improvements can be made.

We have therefore developed a step-by-step process depending on the approach applied.

Direct engagement



The first step is to select the issuers that we wish to engage with. We start by conducting an in-depth analysis of the scope of engagement to identify issuers whose operations are not aligned with best practice for the engagement themes we have identified. We then determine the specific topics for engagement for each issuer, with a view to creating value over the long term.

The second step is to set goals for the dialogue and develop an action plan. This involves determining the desired outcomes and the approach we will use to achieve them, with the aim of helping issuers develop their sustainable development strategies. We set out clear steps and goals for the priority topics we have identified, taking into account the challenges faced by each issuer. We also come up with specific key performance indicators so that we can assess how effective our dialogue has been and measure the progress made.

The third step is to begin engaging with the selected issuers. We do this through various channels, such as meetings with management, on-site visits, phone calls, and letters and emails. By using a range of channels, we can ensure that our interactions are meaningful and constructive and improve our mutual understanding of the issues at hand.

The fourth step is to monitor and assess the ongoing dialogue. A record is kept of the entire process, based on the action plan and goals defined at the outset. We regularly review our engagement activities in order to measure our progress and identify any challenges that need to be addressed. We measure our success based on the extent to which our goals have been achieved and any feedback received from the companies involved. Using this assessment, we then decide whether to continue, adjust, or end the engagement. Where necessary, an escalation process (set out below) can be launched to explore other solutions and resolve any disagreements or hindrances.



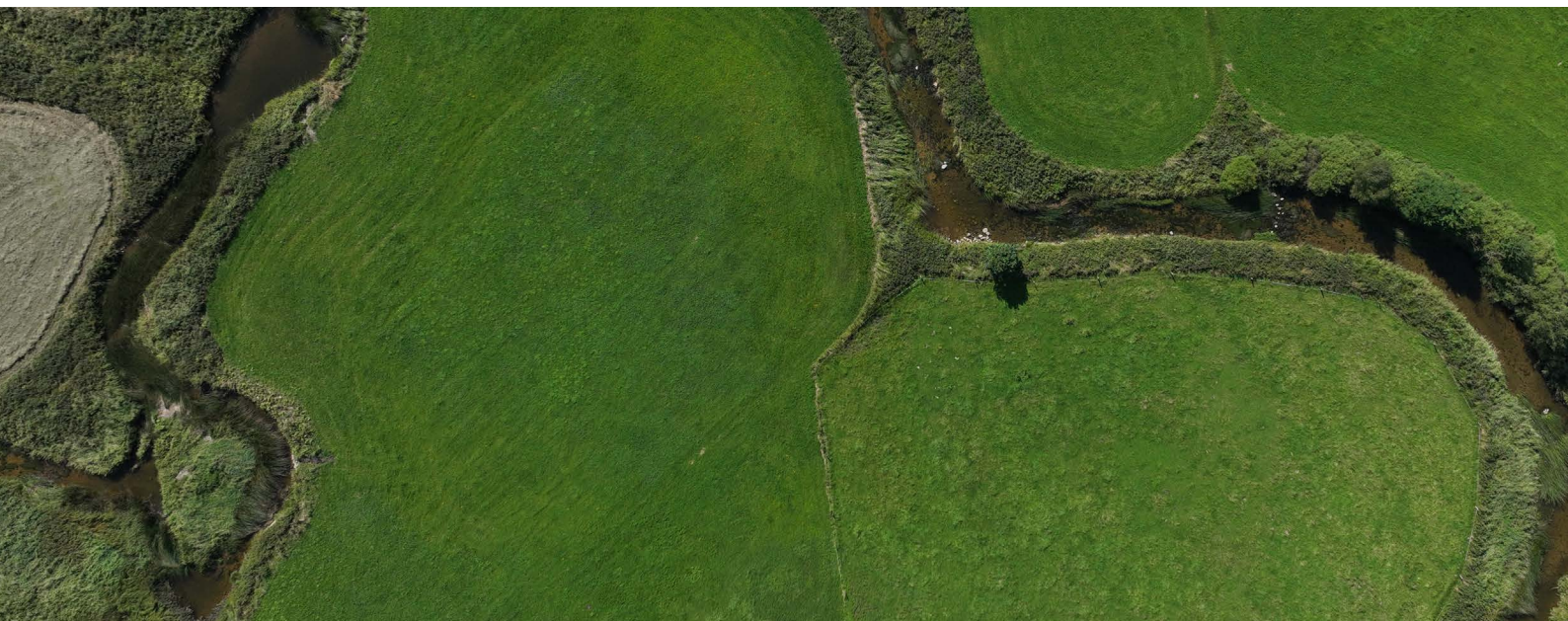
Indirect engagement

With this approach, the steps described above are undertaken by Ethos, BCV's external service provider for shareholder engagement. We make sure that any dialogue conducted by Ethos is consistent with our internal principles and engagement policy, and we remain accountable for the effectiveness of these activities.



Collaborative engagement

With this approach, the steps taken depend on the initiative in question.



Escalation



If our engagement efforts do not produce the desired results, we may decide to adopt escalation strategies. Any measures put in place must be proportionate to the issues at stake and aligned with the goals of the dialogue.

As a first step, we may ask for clarification from, or a meeting with, the board of directors of the company in question. If this does not lead to a satisfactory improvement in the engagement process, we may take more formal action (e.g., teaming up with other investors, casting a protest vote, or submitting resolutions at annual general meetings). As a last resort, if all other measures fail, we may reduce our exposure to the company, or even sell off our entire investment.

Reporting



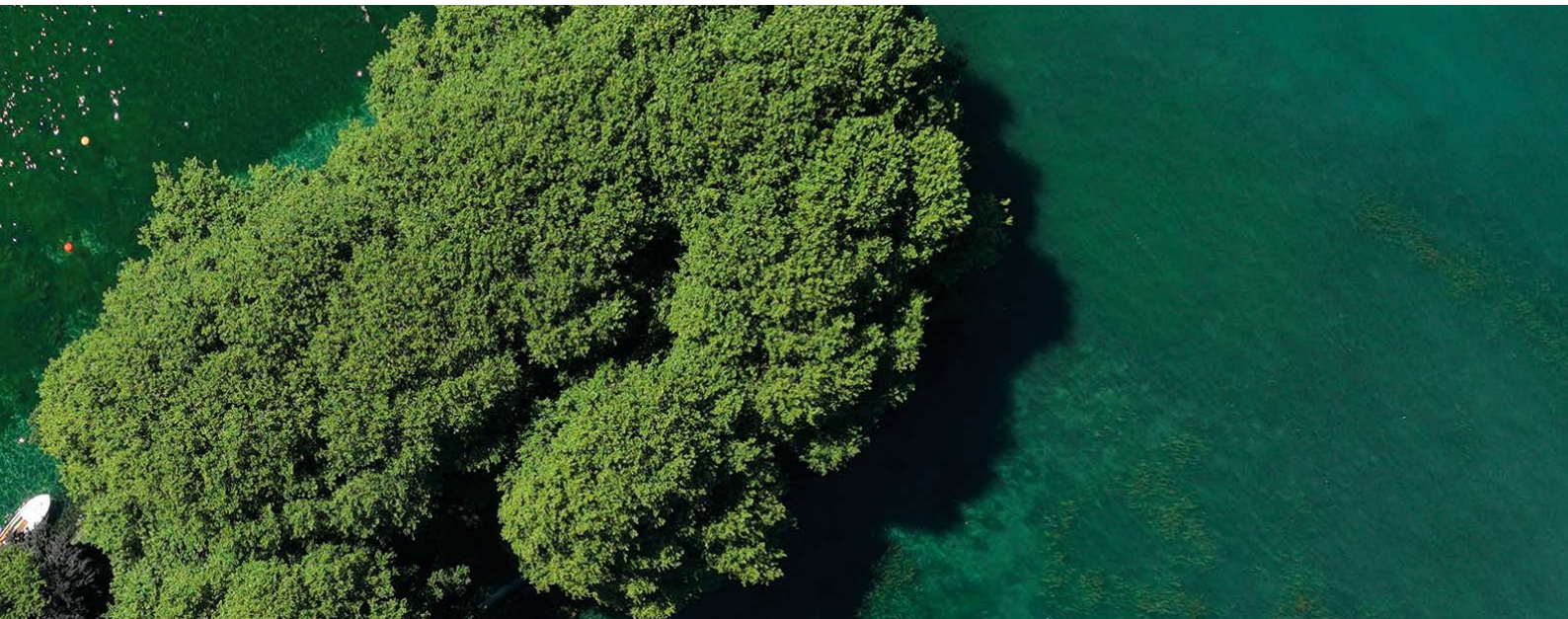
As a responsible investor, we have made a commitment to our clients and other stakeholders to report on the content, progress, and results of our engagement activities. We do this by publishing an annual engagement report, which is publicly available.

The report provides a summary of our engagement activities and includes information on the goals set, the dialogue carried out with companies, the number of meetings held, the results obtained, and our compliance with the established processes.

BCV's reporting practices in this area draw on the guidelines for engagement disclosure set forth in the UNPRI. They also fulfill the Swiss Federal Council's recommendations on preventing greenwashing in the financial sector.*

In addition, BCV publishes an annual proxy voting report.

* The Federal Council's position on the prevention of greenwashing in the financial sector



Managing conflicts of interest

In the course of our engagement activities, we or our agents may be confronted with conflicts of interest. We disclose any actual, potential, or perceived conflicts of interest and make publicly available the details of how we handle them.

BCV's approach to preventing, identifying, and managing conflicts of interest is set forth in a separate document entitled "[Information on BCV's policy for managing conflicts of interest](#)."* In that document, we describe our process for communicating potential conflicts of interest to clients and other beneficiaries, as well as the mitigating measures we have put in place. The rules and principles set out in that document also apply to managing conflicts of interest in our engagement activities.

* This document applies to all wealth-management and institutional-asset-management activities.

Important legal information

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Banque Cantonale Vaudoise
Case postale 300
1001 Lausanne
www.bcv.ch