

**Annual
Engagement
Report
2022**

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Executive Summary

Dear reader,

It has been a year since EUROFIMA published its Investee Engagement Guidelines. The document became another step that we wanted to make toward more sustainable and responsible asset ownership, and it clearly summarized how we wanted to proceed further. The Guidelines ascertained that we embrace the fiduciary duty towards our shareholders to manage all our assets carefully and responsibly. At the same time, while being a UN Principles for Responsible Investment signatory, we also dedicate ourselves to being active owners and incorporating all sustainability-related issues into our ownership procedures and practices, as well as pursuing appropriate disclosure on ESG-related issues by our investees. EUROFIMA believes that our investment objectives can only be accomplished with an open and frequent dialogue with the companies we invest in.

2022 became another year for us when we started to put our words into action - we initiated the first ESG engagement cycle with our investees. The process had to be built from scratch to be individual, confidential, non-intrusive to investee daily business activities, and of the "reflect and suggest" nature. Due to operational constraints, we had to prioritize among the names we wanted to approach with the invitation for engagement. The final number of investees who participated in the 2022 cycle turned out to be eleven. Although for some, this number might sound diminutive, for us, it was more critical to delivering the quality of the engagements we participated in over the quantity of those. We were also glad that all eleven contacted investees/counterparties agreed to start a dialogue and go through the process with us.

This Annual Engagement Report is a comprehensive summary of all our discussions with investees throughout the year. All the information presented is published here anonymously to avoid reproach and condemnation of any business entity, regardless of the final results of the engagements. As one calendar year was primarily insufficient for any measurable change, the process has automatically been rolled into 2023 for nine companies. Nevertheless, we would also like to congratulate those investees who improved their sustainability standing and showed favorable change already in 2022. We can only encourage them and others to continue their hard work toward achieving challenging environmental, social, and governance objectives.

EUROFIMA is looking forward to continuing the engagement initiatives started this year and the new ones in 2023. We would also like to thank everyone involved in the process for their cooperation, support, and productive work in 2022.

Sustainability Committee Working Stream "ESG Integration"
Management Committee

Engagement Highlights

The Engagement Cycle 2022 encompassed 11 investees/counterparties of EUROFIMA, the majority of which were shortlisted due to their Sustainalytics High ESG risk score profile. The necessary prioritization of the entities done by the Treasury & Asset Management unit resulted in more than 80% of the contacted investees being domiciled in Switzerland, with 55% of all targeted companies being Regional Banks. The Engagement process involved several company representatives of all ranks, including Executive Board Members, Heads of Corporate Development, Leads on Corporate Sustainability, and Sustainability Officers/Analysts. The primary mode of communication was electronic mail, while each investee, on average, was contacted seven times.

Number of companies participating in engagement process

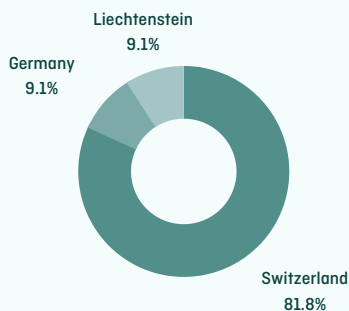
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Reasons for engagement

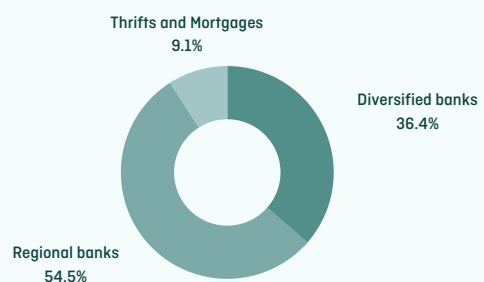
% by the main reason for engagement



Domicile of investees



Sub-industry of investees



Investee Representatives

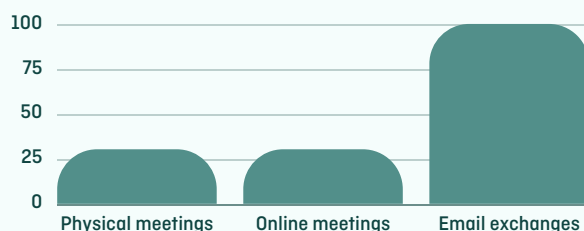
- Member of Executive Board
- Head of Corporate Sustainability
- Head Investor Relations
- Sustainability Officer

- Adviser on Strategy
- Head of ESG Asset Management
- Sustainability Officer
- Responsible Investment Officer

- Head of Corporate Development
- Sustainability Expert
- Deputy General Secretary

Mode of communication

% of investees



Number of contacts

average, per investee

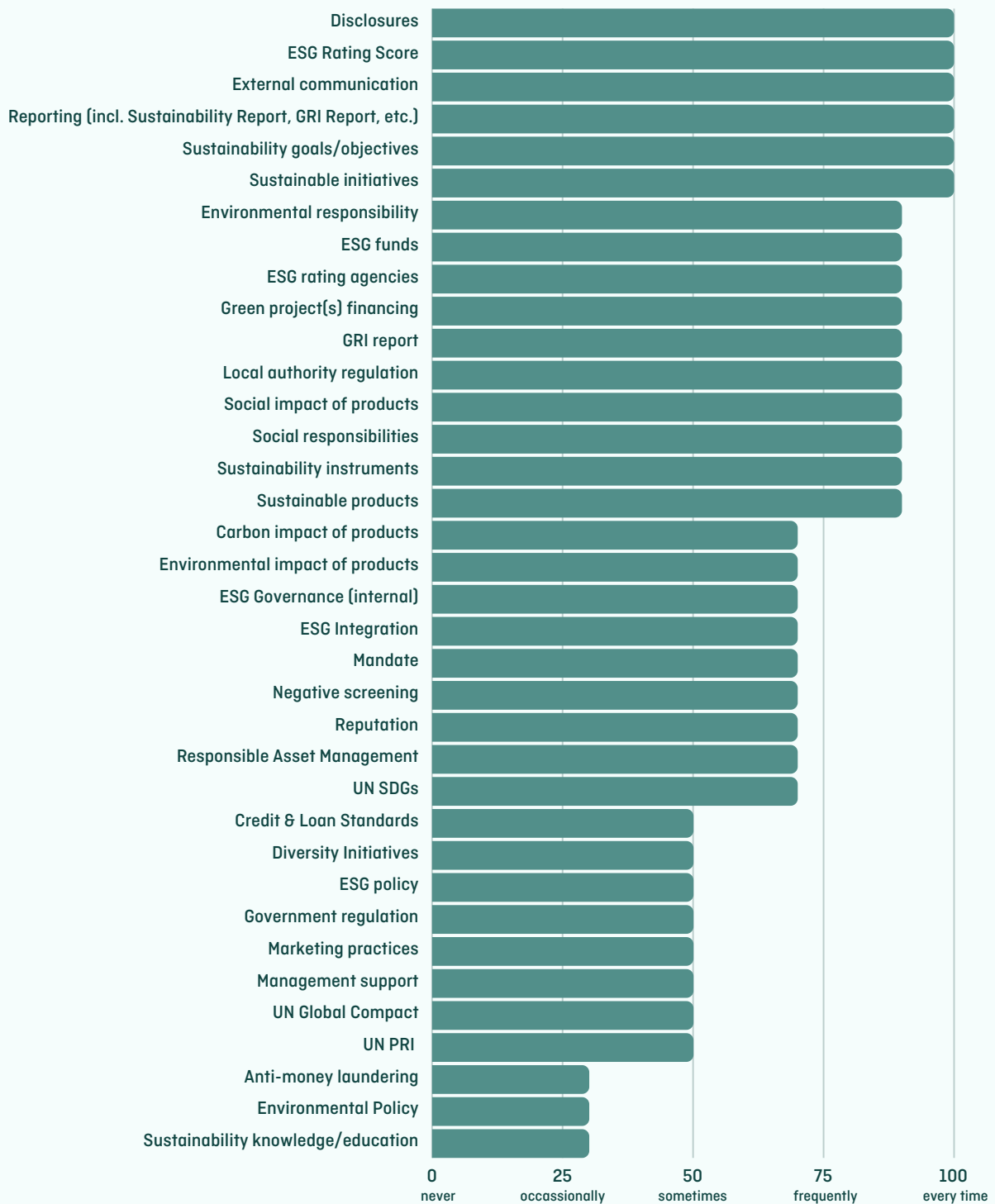
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incl. physical/online meetings, phone/conference calls, email exchanges, etc.

Although among the main reasons for the engagements was the High ESG Risk Score of the investees as assessed by Sustainalytics, a more concrete basis for engagement varied per company contacted. This led to a broad spectrum of topics during the main discussions. Among the themes touched upon with all investees were transparency, including disclosures and reporting practices, third-party assessments (e.g., as by ESG rating agencies), preferences in the external communication processes (e.g., choice of language for ESG-related publications), as well as overarching sustainability goals and objectives. It was also essential to hear about concrete initiatives undertaken by investees helping them to achieve their ESG goals. Considering that most of the investees were from the Banking sector, the dialogue would frequently touch upon any green project financing initiatives, sustainable product offerings, high credit and loan standards, and responsible asset management practices. Surprisingly, such essential aspects of the ESG as knowledge-sharing and sustainability-related specialized education, were only occasionally mentioned and were not on the priority list for investees.

Thematical coverage of exchanges

key topics covered by frequency of mention during the main discussions

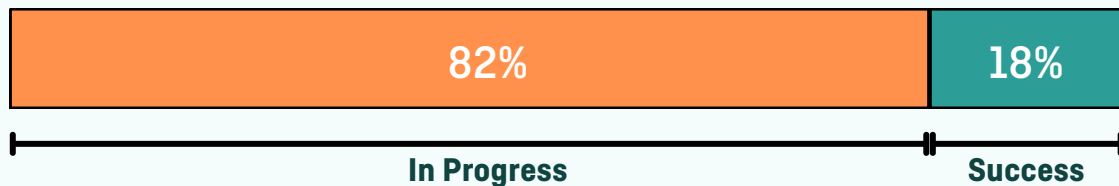


Results

The year 2022 was concluded with zero failed engagements as all investees positively responded to the invitation for exchange and actively participated in the discussions. Engagements with nine investees got the "in progress" status. They were automatically transferred to the year 2023, as no measurable improvements have been made from the start of engagements during 2022. The Sustainalytics ESG Risk Score has also stayed unchanged for "in progress" investees as of the moment of capturing the results. Two investees, nevertheless, successfully concluded the engagement process with EUROFIMA as their Sustainalytics ESG Risk Scores substantially improved from High Risk to Medium and Low Risk. Among the changes leading to the improvement of the ESG standing by two successful investees were refining their core business standards and practices, enhanced transparency around their sustainability-related policies, and willingness to become signatories of global standards.

Engagement Cycle Success Rate

% of investees



If an investee company or counterparty actively implemented ESG improvements that are documented and shown to EUROFIMA and/or if the actions taken materialized in an upgrade of the ESG rating and/or if the investee company or counterparty was removed from the UN Global Compact Watchlist, the engagement process is declared as "successful."

An engagement is considered "in progress" if the engagement process has started, but no measurable improvements have been made. Going through the engagement process in such situations would not preclude EUROFIMA from holding the existing positions or continuing investing in the company or counterparty in question.

An engagement is classified as "failed" if an investee company or counterparty does not intend to engage with EUROFIMA regarding the identified ESG risks or does not answer our requests for dialogue over a year. The existing investments will be held to maturity for failed investee companies and counterparties, but no other positions will be raised. If, after one year, the investee company or counterparty enters the engagement process, the engagement status may improve towards "in progress" or "successful," and the respective rules for the new status apply. The restrictions on investing will be lifted if the company is no longer shortlisted for the engagement process.

NOTE: all ESG engagements between EUROFIMA and investee companies are performed on a confidential basis.



Meret Oppenheim Platz 1C
4053 Basel
Switzerland

Phone: +41 61 287 33 40
Fax: +41 61 287 32 40

www.eurofima.org