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»Engagement report

Engagement initiatives and activities 2024

Marketing document

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This report provides details about our Engagement activities in 2024 and aims to create transparency about our strategy.

Engagement at Fisch Asset Management

Joachim Corbach
Sustainability Specialist

Engagement is an important part of our Responsible Investment strategy. It helps us to better assess the environmental, social and governance (ESG) risks and opportunities of an issuer, and determine whether they are reflected in its valuation, while also having the possibility to influence the issuer's action to improve our sustainability goals.

In recent years, many positive experiences have shown us that continuous direct dialogue with the invested companies and collaborative engagement through cooperation with organizations are an effective approach to achieving positive sustainability and investment results. We therefore intend to continue or even expand our dialogue with issuers in the long term, in our own interests, in the interests of the companies and ultimately also in the interests of our clients.

With this report, we are pleased to provide further details about our engagement activities in 2024 and our aim to create transparency for our strategy.

We focus on engagement as part of Active Ownership. This is due to the allocation of the assets under management, focusing on various bonds strategies.

Our Engagement Strategy

Fisch engages directly with companies or performs collaborative engagement on specific topics with the intention of improving the companies' ESG performance, in order to reduce investment risks and gain insights with regard to ESG opportunities.

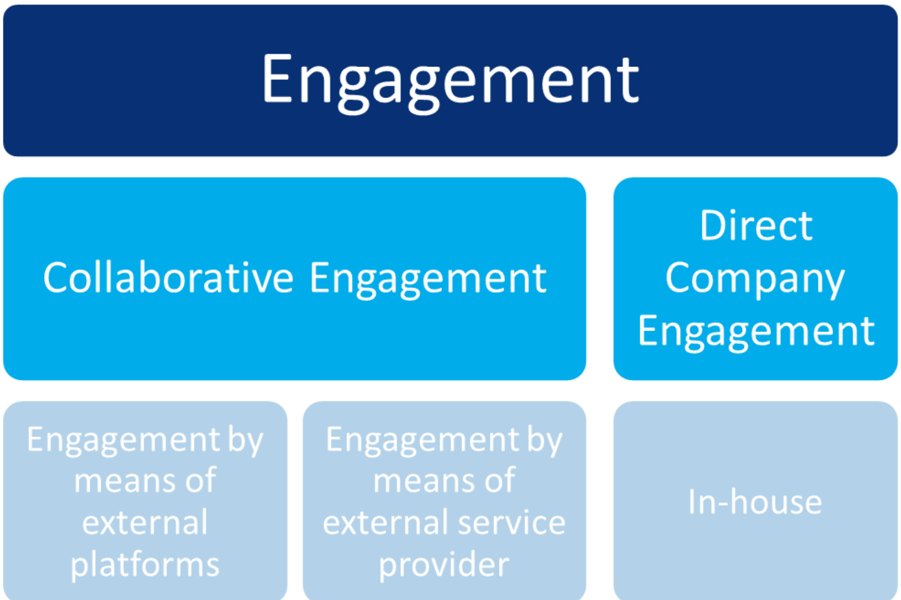
» We perform engagement in order to reduce investment risk.

Thomas Fischli Rutz, Head Emerging Markets

When undertaking **direct company engagement** Fisch focuses either on companies with a high ESG risk assessment or those displaying weaknesses or irregularities in regard to material ESG risks. Portfolio management conducts the dialogues and uses the insights gained for its company valuation. This means that Fisch monitors and documents whether the company has implemented the necessary steps to address and manage the issues that have been raised. Major environmental topics cover climate change, water stress, raw material sourcing and energy efficiency. Major social topics include product safety, labour management/diversity, data security and supply chain management. Major governance topics encompass independence of board structure, ownership of shareholder rights, corruption and business ethics.

In terms of **collaborative engagements**, we use external platforms, such as the Principles for Responsible Investment (PRI) Engagement platform, and participate in initiatives, such as Climate Action 100+. In doing so, we join both thematic and company targeted engagements. In addition, we work with Sustainalytics in terms of engagement services where we participate in their Material Risk Engagement programme. This programme is designed to protect long-term value by proactively engaging with high-risk companies on financially material ESG risks.

Fisch Engagement strategy



Direct Company Engagement

» Engagement is a core pillar of our sustainable convertible bonds strategy.
Stefan Meyer, Senior PM

Fisch is convinced the dialogues with investees help to better assess issuer's ESG risks and opportunities and determine whether they are reflected in the company's valuation. At the same time, engagement provides the opportunity to influence an issuer's actions and practices in line to achieve the desired outcomes. The insights gained are directly incorporated into the valuation of a company and are therefore an essential part of the overall strategy.

In 2024, various direct engagements were completed on the following topics:

— The European Union's Disclosure Regulation requires us to track certain sustainability risk indicators and integrate them into our investment process. One such indicator is the total number of reportable workplace accidents. Companies with noticeably high values were asked for an explanation and, where appropriate, requested to take corrective measures. We contacted the following companies:

  America Movil, Bimbo Bakeries, Braskem, Celara, Coca-Cpla, Fresnillo; HPHT, Industrias Penoles, Sisecam

  We have received a clarifying response from some of the companies we contacted. We intend to maintain the dialogue with those companies and extend it to other topics.

Collaborative Engagement

Engagement via external platforms

Fisch works together with other investors to talk to companies about ESG practices. This approach is particularly effective when it comes to ESG issues that are important to the general public, e.g. reduction of CO2 emissions and/or the protection of biodiversity. In this regard, the adoption of a common position when speaking with companies increases the effectiveness of the engagement.

Since September 2023, Fisch is a signatory to the I**nvestor Initiative Nature Action 100**. The initiative seeks dialogue with companies seen as biggest drivers of nature and biodiversity loss. The engagement focuses on the following themes: land-, and ocean-use change, overexploitation of natural resources, pollution, and invasive species.
As part of this initiative, Fisch acts as a supporting investor in engagement activities related to the following companies: Suzano, Indofood and McDonald's.

Another example is the **Investor Initiative on Hazardous Chemicals (IIHC)** which aims to reduce the adverse impacts of hazardous chemicals and thereby the exposure to the financial risks to which they are linked.
In this case, Fisch is a co-investor in the following companies: LG Chem, Chemours and 3M

Collaborative Engagement

Since November 2021, Fisch has been a signatory to the **Climate Action 100+ investor initiative** since 2021. The initiative seeks to ensure that the companies with the world's largest greenhouse gas emissions take the necessary measures to achieve the goals of the Paris Agreement (climate warming less than 2 degrees / Net Zero GHG by 2050 at the latest).
Fisch is involved as a co-investor in engagements with the following companies: Pemex and Nippon Steel.

Engagement via external service provider

» Over 70 commitments are pursued as part of collaborative engagement.

Joachim Corbach,
Sustainability Specialist

Fisch has a collaborative engagement partnership with **Sustainalytics** and thereby obtaining engagement services as part of the Sustainalytics Material Risk Engagement programme. This programme currently includes more than 600 commitments, of which around 60 companies are represented in various Fisch portfolios. These 60 commitments are therefore also pursued on behalf of Fisch and we are actively involved in some of these commitments. Please see below for examples:

Caterpillar: Focus on Product Governance and Carbon

Caterpillar’s commitment to sustainability can be seen in its board-level oversight and regular sustainability reporting. However, disclosure on managing product quality and safety risks remains limited.

Sustainalytics recommends that Caterpillar should implement and report on formal policies, programs, and key performance indicators regarding material ESG issues. More specifically it is recommended that Caterpillar:

- Discloses the corporate oversight and main initiatives to manage product quality and safety for all product groups.
- Quantifies the potential impacts of climate-related risks to further develop climate scenario analysis
- Enhances the transparency on the anti-bribery and anti-corruption program.
- Provides transparency on the human rights impact assessment.

The Sustainalytics engagement with Caterpillar started in November 2020, with annual follow ups every year since.

Chevron: Focus on Carbon Products and Services

The engagement started in 2021, but the company was not very receptive to suggested actions, and claimed they are doing more than competitors. Chevron got under pressure from investors in May 2021 when shareholders voted 61% in favor of the company cutting its greenhouse gas (GHG) emissions, including scope 3 emissions. In response, in September 2021, the company announced plans to reduce its carbon intensity. Chevron has since set a net zero by 2050 aspiration for its Scope 1 and 2 emissions. For Scope 3 emissions, Chevron has set a full value chain portfolio carbon intensity reduction target. Follow-up call was held with Chevron in the last years where the company was much more receptive to engagement and suggested actions.

Collaborative Engagement

Sustainalytics recommends that Chevron Corporation should continue to implement and report on policies, programs, and key performance indicators regarding material ESG issues. More specifically Sustainalytics currently recommends that Chevron:

- Discloses a breakdown of percentage fuel type, including types of renewables and a forward-looking (2028, 2030, and 2050) product portfolio mix.
- Holds an independent external review of its Board.
- Broadens reporting on scope 3 emissions categories.
- Discloses an overview of the risks associated with achieving its GHG emissions reduction targets and enhances its upstream net zero 2050 aspiration roadmap.
- Disclose how the company’s governance structures function in different jurisdictions and how it implements the governance integration, reorganization, and corporate structure with companies Chevron acquires.

Sustainalytics will continue to encourage the company to be receptive to engagement and suggested actions.

JFE Holdings: Focus on Carbon and Corporate Governance

JFE Holdings has a robust sustainability management structure. The company established the Group Sustainability Council chaired by the President of JFE Holdings. In 2023, the company disclosed detailed targets to reduce CO2 emissions by 30% by FY2030. The company's commitment towards disclosure is viewed positively. But the company also stated that it had no plan to obtain SBT approval as there is a difficulty to meet the SBTi's requirements. Considering the importance of setting science-based target, Sustainalytics encourages the company to commit to setting SBT per sector guidelines issued by SBTi. Sustainalytics will track the progress on this matter, along with other material ESG issues.

Moreover, Sustainalytics recommends that JFE Holdings should implement and report on formal policies, programs and key performance indicators regarding at least all material ESG issues. More specifically Sustainalytics recommends that JFE Holdings:

- Improves transparency in the Board's skills in sustainability.
- Aligns with international best practice governance, creates a plan to i) increase the proportion of independent directors and ii) appoint the Chair of the Board from directors other than the President (preferably independent directors).
- Continues enhancing disclosure on the detailed roadmap to achieve carbon neutrality by 2050.

Considering the company's constructive responses in the initial and follow up engagement calls, Sustainalytics will continue the engagement with the company.

Korea Electric Power: Focus on Corporate Governance, Health&Safety and Carbon

KEPCO seems quite determined to develop a relevant ESG risk management structure. There is good progress in setting up an ESG governance structure reaching the board level as well. Disclosure is fairly detailed in some areas, but still inconsistent. The big challenge for KEPCO is to keep up with stakeholders' expectations for the company to

Collaborative Engagement

lead carbon transition in Korea. It seems that KEPCO is much quicker in setting ambitious goals than actually developing the plans that will make the goals likely to achieve. This is an area the engagement is focused on. In the conversation with the company it also became clear that KEPCO has a hard time to find suitable locations for new renewable energy capacity and it will be more than difficult to achieve the very high ambitions for scaling up renewable energy.

Sustainalytics recommends that KEPCO should implement and report on formal policies, programs and key performance indicators regarding the most material ESG issues. In particular, Sustainalytics recommends that KEPCO:

- Establishes a clear and consistent reporting of ESG performance to the board level, so the ESG committee is fully informed on ESG performance on a quarterly basis, which will facilitate their supervision of the area.
- Develops relevant ESG metrics for all material ESG issues and integrates these metrics and issues into the regular performance management system of the organization.
- Provides investors with the full overview of the decarbonization plan for the KEPCO Group.
- Develops a consistent water risk assessment of all assets and provides investors with overview on the main mitigation strategies.

The company clearly pays attention to investors’ and our specific concerns. KEPCO has made good progress in building up the relevant ESG risk management structures and a good ESG disclosure. We are therefore turning our focus on the decarbonization, where there is a lot of work to do still.

Important legal information

Fisch Asset Management AG is an asset manager specializing in select investment strategies. It offers convertible bond, corporate bond and multi asset solutions. Its objective is to create added value for long-term investors through active management. The company's core strength lies in its long experience in the fields of credit and momentum. Founded in Zurich in 1994 by two brothers, Kurt Fisch and Dr Pius Fisch, Fisch Asset Management has made a name for itself as an independent asset manager and as a global leader in convertible bonds. The company has around 70 employees and manages assets of more than CHF 5 billion for institutional investors primarily based in Europe.

For further information please visit: http://www.fam.ch I LinkedIn: https://www.linkedin.com/company/fisch-asset-management.