



**Pooling Investors' Assets and
Shaping a Positive Future**

Stewardship Report 2024



What Motivated Investors in 2024



What Effect Do Pharmaceutical Companies and Their Products Have on Nature?

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Shareholder Engagement or Stewardship? Clarification of Terms.

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.

Climate: It's Time for Companies and Their Owners to Get Down to Business

One of the BBC's most successful programmes is called "HARDtalk" and is known for its tough questions and sensitive topics. We are sometimes reminded of it in our conversations with companies: in 2024 we focused on companies' climate plans, and specifically on ambitious interim targets. The key questions: Are the targets formulated comprehensively enough? Will they be achieved?

American companies in particular are reluctant to talk openly about sustainability today for fear of political backlash. In our own conversations with companies, this reluctance is noticeable, but it does not indicate a real change in their long-term strategies.

In addition to comprehensive reporting on our voting behaviour, the Globalance Stewardship Report

“ Even with imperfect data and methods, the climate course is clear: continuous improvement is the principle.

Admittedly, the path to net zero is complex and challenging. But neither the technical difficulties nor the lack of consensus should serve as an excuse for inaction. Even with imperfect data and methods, the course is clear: continuous improvement is the principle; even with heuristics and proxies, the right path is apparent.

The companies in our portfolios are making progress in this sense and are proceeding systematically and carefully. However, they were facing harsher headwinds in 2024: in some places, dissatisfied investors, politically motivated sceptics or the fossil-fuel top dogs caused public counter-pressure.

2024 contains exciting case studies on the topics of "The impact of pharmaceuticals on nature" and "Amazon's bizarre emissions reporting".

In 2024, we used the power of the assets entrusted to us for positive change. We welcome all feedback.



P. Zollinger

Peter Zollinger
Head of Impact Research



S. Bechtler

Salome Bechtler
Impact Research Manager

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

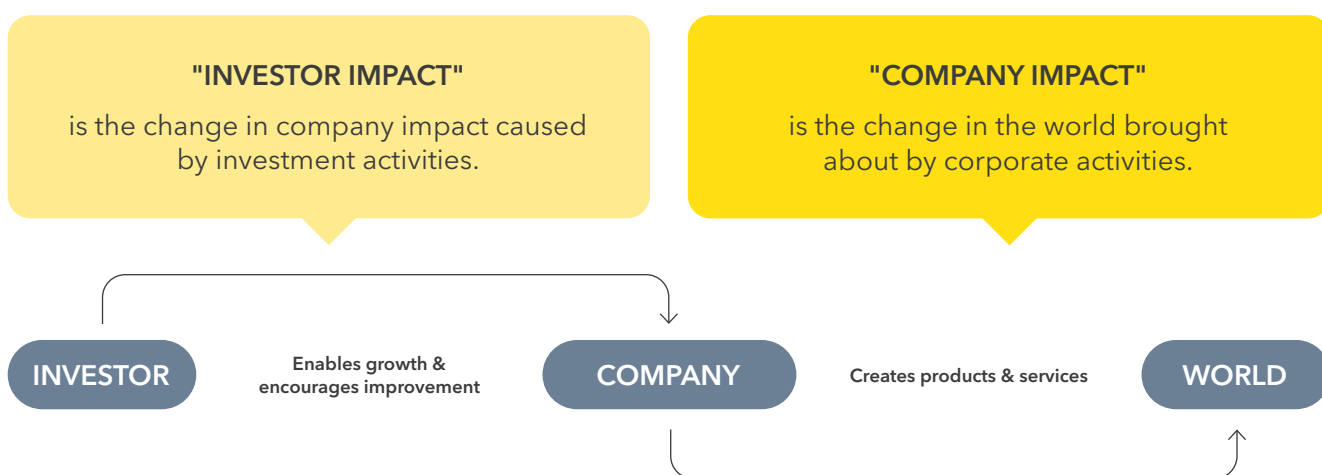
When investors provide working capital to an SME, invest in a wind farm, or grant a loan to a microfinance bank, a direct "investor impact" can be recognised (see chart). This impact would not have happened without that investment. The criterion of additionality is fulfilled.

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



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").

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

GLOBALANCE STEWARDSHIP

COMPANIES

FUNDS

Voting at general assemblies

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Multi-year dialogues with companies

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Collaborative engagement initiatives

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The stewardship of invested equity funds

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Engagement as a Win-Win Situation: Science Confirms Added Value for Owners and Companies

Academic research on sustainable finance and the role of investors has increased significantly in recent years.¹ The results of this research are incorporated into Globalance's practical work. We regularly discuss valuable findings.



More and continuously updated information on this can be found on the Globalance Stewardship website.

The Key Findings from the Most Important Research Published in 2023-2024 Are as Follows:

Shareholder commitment to climate transparency can encourage companies to reduce emissions. If investors who are members of the Carbon Disclosure Project, CDP, own a company, the likelihood that it will disclose its emissions increases. This can lead to a reduction in future CO₂ emissions. Asset managers who have joined CDP also tend to selectively invest in or divest from companies with high emissions, which increases the pressure on these companies to take action.²

Shareholder engagement on material topics reduces the environmental risks of companies (including accidents and climate risks in general). The financial risk ("value at risk") of the target companies decreases by 9% after successful engagement. The study shows that companies reduce the number of environmental incidents after the engagement.³

Divestment can influence corporate behaviour and market conditions through public pressure. The "Go Fossil Free" movement shows that divestment activities, while giving up voting rights, can still be effective in influencing market sentiment and leading to higher carbon costs. The research suggests that divestment movements can contribute to a reassessment of climate risks in the financial markets and encourage companies to adopt net-zero commitments.⁴

Sustainable investing has a direct and indirect impact on the environment and society. In addition to portfolio screening and shareholder engagement, "field building" is a strategic approach in which indirect effects can be achieved in the long term through other investors and the institutional context (e.g. better regulatory framework conditions). If different shareholders complement each other, the positive impact does not follow immediately, but gradually and as a result of a collective process.⁵

Active shareholder engagement brings reputational benefits for asset managers. However, the quality of engagement varies significantly depending on the size of the asset manager. In a study from South Africa, large asset managers that are PRI signatories tend to have more comprehensive and transparent reports. The study also reveals that many smaller managers are merely "box-ticking" and are not transparent enough, which may discredit their commitment.⁶

Finally, we mention a study here that points to rather cynical behaviour by certain mainstream asset managers. Funds that target ESG-sceptical family offices often only support environmental and social applications when they are not crucial. This can also be seen as a form of greenwashing: such "ESG funds" only focus on sustainability superficially, rejecting substantial, controversial proposals to suit the interests of sceptical institutional investors.

Globalance closely follows developments in academic research. They provide us with valuable insight into how we can continuously improve our own approach and make it more effective.

¹ Marti, E. et al. (2023). The Impact of Sustainable Investing: A Multidisciplinary Review. *Journal of Management Studies*.

² Cohen, S. et al. (2023). Institutional investors, climate disclosure, and carbon emissions. *Journal of Accounting & Economics*, 76 (2-3).

³ Hoepner, A. G. F. et al. (2024). ESG shareholder engagement and downside risk. *Review of Finance*, 28 (2), 438-510.

⁴ Becht, M. et al. (2023). Voice Through Divestment. *Corporate Governance Institute - Finance Working Paper No. 900*.

⁵ Marti, E. et al. (2023). The Impact of Sustainable Investing: A Multidisciplinary Review. *Journal of Management Studies*.

⁶ Nel, G. F. (2023). Active ownership reporting among South African asset managers, and why it matters. *Journal of Economic and Financial Sciences*, 16 (1).

What Motivated Investors in 2024

More Transparency on Lobbying Activities Required

Shareholder proposals on "lobbying" received particularly strong support in 2024. Investors are demanding more transparency on the organisations a company supports - including the exact financial contributions paid out.

In addition, the proposers see inconsistencies between company and association positions on climate as reputational risks. Shareholder proposals therefore demanded specific analyses of the respective companies' climate lobbying activities.


Of particular note: at many financial institutions, such as Bank of America Corp, the Goldman Sachs Group and Wells Fargo, such proposals on lobbying behaviour achieved at least 25 per cent yes votes. Proposals to analyse the pay gap by ethnicity and gender were also successful. Globalance supported the corresponding proposals at Amazon and Apple.

Exxon Mobil Jeopardises Shareholder Rights

A worrying development for shareholder rights: the small asset management firm Arunja Capital submitted a shareholder proposal to Exxon Mobil for the 2024 Annual General Meeting calling for faster action on climate change.

Exxon Mobil could challenge such a proposal with the US Securities and Exchange Commission (SEC). As the company did not expect any success in this, it chose a more aggressive route: Exxon Mobil sued Arunja Capital claiming that their proposal did not serve the interests of investors. In order to avoid the overwhelming legal costs, Arunja Capital then agreed not to submit any proposals of this kind to Exxon Mobil in future.

European investors and CalPERS, the largest U.S. pension fund, were outraged. CalPERS declared: "Now, decades of shareholder rights are under threat from a lawsuit filed by the leaders of a powerful U.S. corporation, designed to punish two small groups that dared to speak truth to power. If successful, the legal action could diminish the role – and the rights – of every investor in improving a company's bottom line. That's why on 29 May 2024, CalPERS will cast our shareholder votes in opposition to all twelve members of Exxon Mobil's board of directors and its chief executive officer."

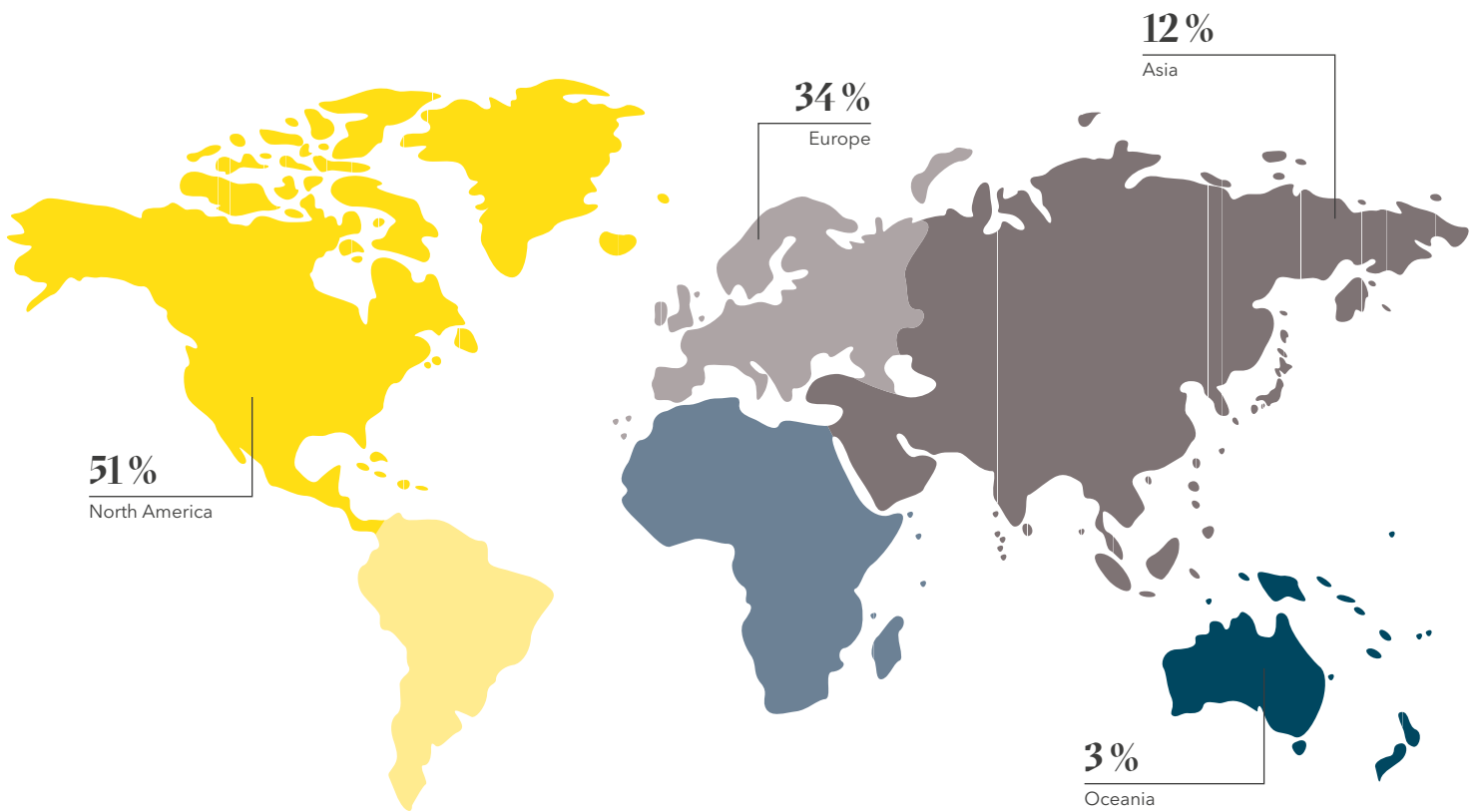
An aerial photograph of a desert landscape. A dirt road winds through the center, flanked by sparse, dry vegetation. To the right, a large field of solar panels is visible, with long, parallel shadows cast across it. The overall scene is bathed in warm, golden light, suggesting late afternoon or early morning.

” Now, decades of shareholder rights are under threat from a lawsuit filed by the leaders of a powerful U.S. corporation.

All Votes Count – Worldwide

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?



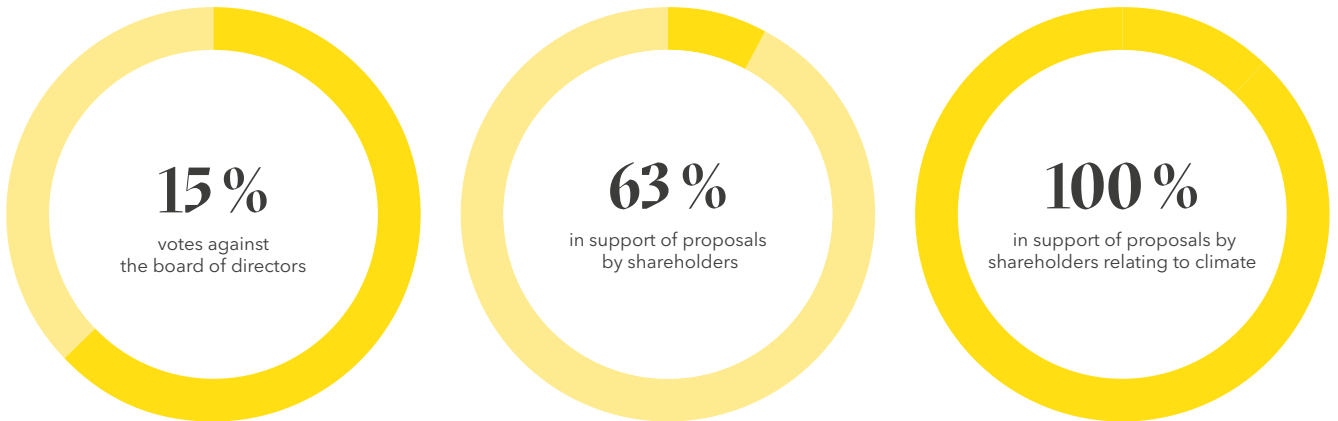
How Often Was a Vote Cast?

90
annual general meetings

1,195
proposals

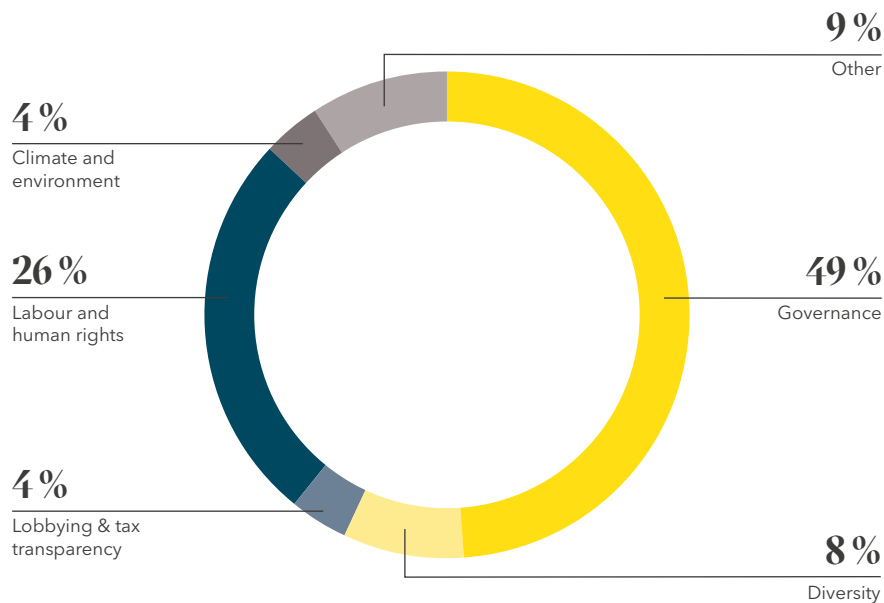
53
shareholder proposals

How Did Globalance Vote?



What Issues Did the Shareholders Raise?

In 2024, shareholder proposals in the area of governance were most strongly represented.



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.



The Globalance Engagement Strategy

50 %

of the companies in our core equity portfolio were contacted in 2024 with specific recommendations for action.

80 %

of the financed emissions⁷ from our core equity portfolio are part of our climate analysis.

75 %

of the financed biodiversity loss⁷ of our core equity portfolio is part of our biodiversity engagement.

⁷ Financed emissions/financed biodiversity loss: share of a company's emissions/biodiversity loss 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 focus topics

In our dialogues with our portfolio companies in 2024, we focused on three topics: climate, biodiversity and human rights.

- **Climate:** We analysed companies with a relevant impact on the climate on the basis of five criteria: greenhouse gas reporting, greenhouse gas reductions already achieved, greenhouse gas reduction targets, measures to reduce greenhouse gas emissions, climate governance.
- **Biodiversity:** We use our new biodiversity data from Iceberg Datalab, which considers the whole value

chain of companies to identify the companies for which biodiversity loss is a relevant topic. Our recommendations focus on the use of resources, as this is where most companies have the greatest potential to operate in a more biodiversity-friendly manner.

- **Human rights:** In the past, we have held individual discussions with companies on the topic of "human rights" when material controversies arose. In 2025, we will give the topic of "human rights" more weight and address it systematically.

Our Engagement in Five Steps

1.

We prioritise companies with a major impact on the climate or biodiversity.

2.

We analyse the companies in detail according to climate and biodiversity criteria.

3.

We formulate recommendations for improvement tailored to each company.

4.

We discuss our findings and recommendations with company representatives.

5.

We monitor progress and ask questions. Where necessary, we take further action.

Our Escalation Steps

- Raising the matter with the board of directors
- Cooperating with other investors
- Voting against members of the board of directors (e.g. against the chairperson or members of the sustainability committee)
- Presenting the issue at the Annual General Meeting
- Submitting a shareholder proposal
- Divesting



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



This is what an engagement letter to our portfolio companies looks like.



What Effect Do Pharmaceutical Companies and Their Products Have on Nature?

The most significant negative consequences for nature occur after patients have taken their medication. Substances that are not absorbed by the body are released into the environment via wastewater. In order to address the issue as effectively as possible in dialogue with the pharmaceutical companies in our portfolio, we asked the expert Prof. Kathrin Fenner (Professor at the University of Zurich and the Swiss Federal Institute of Aquatic Science and Technology (Eawag)) about sensible measures for reducing environmental risks. Prof. Kathrin Fenner: "The most important measure is to include environmental risks as a criterion in the design of new drugs and their

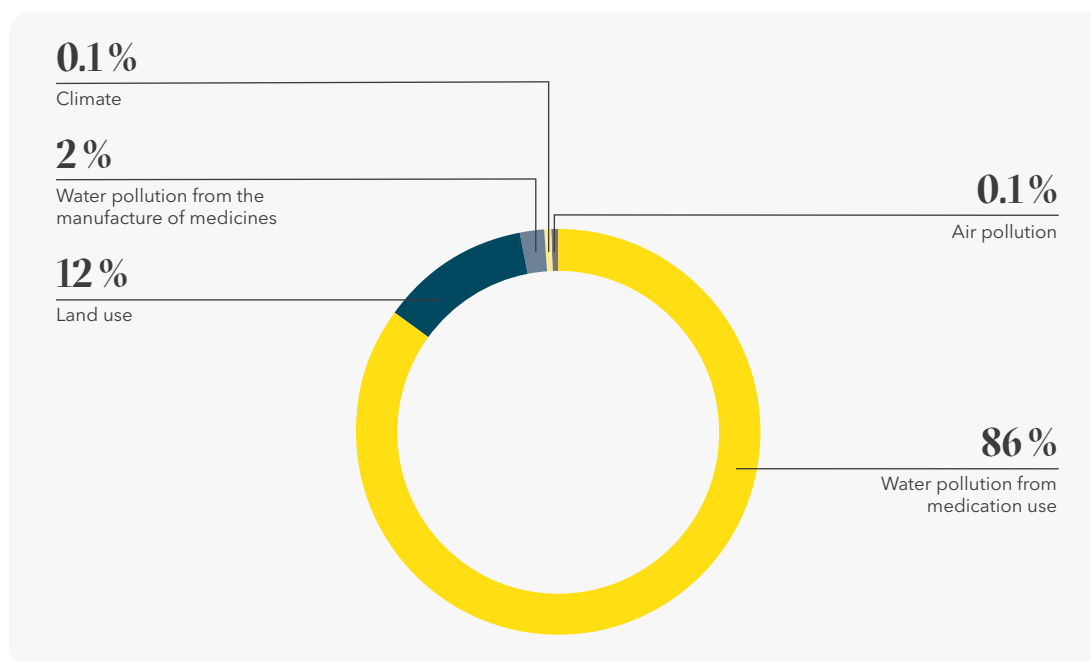
industrial production. The problem here is that pharmaceutical companies already have to meet a great many requirements for drugs to be approved. Therefore, the additional consideration of environmental impacts as a criterion is being received with varying degrees of enthusiasm."

Since 2006, the EU has required all pharmaceuticals sold in the EU to undergo an environmental impact assessment.⁸ Prof. Kathrin Fenner also sees the analysis of "legacy pharmaceuticals", which were approved before 2006, as essential.



Pharmaceuticals are taken by patients. Later, pharmaceutical residues enter the wastewater treatment system via toilets, where certain pharmaceutical substances are not completely degraded.⁹ The remaining pharmaceuticals or their degradation products end up in rivers and lakes, where they have a negative impact on living organisms. For example, substances in hormonal contraceptives can feminise male fish and impair their reproductive capacity.¹⁰

Roche's Effect on Nature



The effect of pharmaceutical companies on nature using Roche as an example.

Roche

As part of the collaborative Nature Action 100 engagement initiative, Globalance and other investors are in dialogue with Roche on the topic of "biodiversity". Effective measurement of the negative impact on nature – including that of the medicines sold – is a focal topic.

Roche publishes the environmental risk analyses of the active pharmaceutical ingredients already examined on the company website. The active ingredient that poses the greatest risk is ceftriaxone, a frequently prescribed antibiotic. Ceftriaxone is poorly biodegradable and can have a toxic effect on aquatic organisms such as bacteria, algae, crustaceans and fish, and can promote antibiotic resistance in bacteria.¹¹

When asked, Roche explained that ceftriaxone's degradation process in sewage treatment plants effectively removes its antibiotic effect. However, it is unclear to us what standards a wastewater treatment plant must meet in order to successfully degrade the antibiotic.

Novo Nordisk

Globalance asked Novo Nordisk whether it measures the environmental impact of the pharmaceuticals it sells. We were also interested in whether Novo Nordisk takes environmental risks into account as early as the drug design phase and if the company analyses legacy pharmaceuticals for environmental risks.

Most of the medicines produced by Novo Nordisk are biodegradable – which is good news. For this reason, the company has not yet considered the criterion of "water pollution" during the design phase. However, other environmental aspects, such as CO₂ emissions, are already a factor in the design phase.

We have drawn Novo Nordisk's attention to Astra Zeneca's transparent communication¹² – the company publishes an overview of the risk assessment of all pharmaceuticals – and have stated that we would like to see the same transparency from Novo Nordisk.

⁸ European Union. (2001). *Directive 2001/83/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use.*

⁹ How well pharmaceutical substances can be degraded depends on the complexity of the wastewater treatment system.

¹⁰ European Union. (2019). *European Union Strategic Approach to Pharmaceuticals in the Environment.*

¹¹ Karungamye, P. (2022). A Review of Methods for Removal of Ceftriaxone from Wastewater. *Journal of Xenobiotics*, 12(3), 223-235.

¹² Astra Zeneca. (February 2024). *Pharmaceuticals in the Environment Statement.*



Amazon Plays by Its Own Rules in Its Emission Reporting

The Situation

So far, Amazon has only reported emissions from the value chain of its own branded products. There is therefore no information on emissions from all other products sold on the Amazon platform. Both online and brick-and-mortar shops, are responsible for the emissions of the products they sell. Even if Amazon does not cause the emissions directly, the company must take responsibility for them. This is important because shops and online platforms can strongly influence customer purchasing behaviour: they decide what appears first in searches, which products are advertised and how strongly sustainability aspects are emphasised.

Our Concern

We demand that Amazon reports in accordance with best practice, takes the responsibility and power of an online platform seriously and contributes to reducing the emissions of the products it sells. We are not alone in this demand: a shareholder proposal was submitted to the 2024 Annual General Meeting calling for full greenhouse gas reporting.

Interim Results of the Dialogue

Amazon defends its own emissions reporting, but the corresponding explanations were not satisfactory. We will keep on its case.

How We Strengthen the Stewardship of the Invested Equity Funds

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

In 2024, we asked managers about the specific demands they place on companies. We also found out whether dialogues on the topic of "biodiversity" are already taking place. Thanks to our new biodiversity data, which takes into account the entire value chain of companies, we were able to point managers to the most relevant companies for future dialogues on the topic of "biodiversity".

In 2023, the equity funds we invested in provided ...

42 %

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

45 %

of the shareholder proposals to be voted on at the Annual General Meeting with support.

33 %

of shareholder proposals on the topic of "climate" with support.¹³

81% of the actively managed equity funds which Globalance has invested in are part of the analysis (according to AuM).

The Enetia Energy Transition Fund's engagement on the topic of "conflict"

The managers of the Enetia Energy Transition Fund conduct dialogues with various companies in the fund on the topic of "conflict and peacebuilding". While many companies have no direct influence on conflicts, they can achieve stability and strengthen communities through their behaviour. Risk analyses are also important to ensure that no human rights violations are supported by purchased products or raw materials. This is particularly essential for minerals that originate from conflict regions. The fund held talks with LG Energy Solution and Schneider Electric on this topic in 2023.

¹³ Only one of our equity funds voted on shareholder proposals on the topic of "climate" in 2023. We are in dialogue with this fund about the weak support for the climate proposals.



Access to Healthy Food – Where Does Unilever Stand?

The "Access to Nutrition Initiative" (ATNi) aims to make healthy food more accessible. In 2024, ATNi published its fifth global index, which analyses the 30 largest food and beverage producers. Unilever was the only one of Globalance's core equities that was analysed.

As in the previous report, Unilever achieved good results in the management indicators: Unilever excels due to great transparency, responsible advertising and good governance. However, the health profile of the company's food is still inadequate: only 17% of the food is categorised as healthy by ATNi. The reason for this is that ice cream makes up an important part of the company's product range.

We will participate in the dialogue with Unilever again in 2025.

Updates on Other Investor Initiatives

For the fifth time, we took part in the Carbon Disclosure Project (CDP) engagement, in which investors encourage companies in their portfolios to disclose their environmental data on the CDP platform. The number of companies disclosing their climate data on the CDP platform has more than doubled since 2020 - to over 23,000 companies.

In 2024, we were part of the Panasonic and Unilever investor teams in the collaborative Climate Action 100+ initiative, which is committed to the transition to net zero for the most emissions-intensive companies.

Since the end of 2024, Globalance has been "co-leading" the engagement with Roche on the topic of "nature", which we are conducting on behalf of all investors in the collaborative Nature Action 100 initiative.

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.



"Be a Better Capitalist" – a Campaign by Globalance

"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.



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