EQ Investors

Stewardship Code

August 2023

Introduction

EQ Investors (EQ) has developed this Stewardship Code to guide the firm's commitment to our role as a steward for clients' assets.

EQ applies the UN PRI's definition of Stewardship, namely 'The use of influence by institutional investors to maximise overall long-term value, including the value of common economic, social and environmental assets, on which returns, and client and beneficiary interests depend.'

This policy has been adopted by the Board for use across the entire firm. It will be formally reviewed and updated on an annual basis.

Defining EQs stewardship objectives

The aim of our stewardship activity is to protect our clients' interests, and the value of their investments. We also apply stewardship activities to improve the sustainability outcomes of our clients' investments, as we believe that supporting a more equitable and sustainable world is aligned with our long term fiduciary duty to clients.

As a signatory of the PRI[1], EQ Investors implements the following relevant Principles through its stewardship practices:

- Principle 2: We will be active owners and incorporate ESG factors into our ownership policies and practices.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Tools and methods of stewardship

Our tools and methods for engagement reflect the most appropriate yet effective approach given EQ's investments are predominantly managed through the selection of externally managed collective investment vehicles.

Our stewardship framework is multi-layered and comprises the following:

1. **Assessment and Monitoring** of external fund managers' own engagement and voting policies, processes, and records.
2. **Engagement** with external fund managers on identified weaknesses, and strategic engagement themes, with an aim to affect ESG/sustainability and stewardship ambition.
3. **Collective, collaborative engagement** on underlying holdings to elevate concerns on strategic engagement themes.
4. **Annual General Meeting (AGM)** attendance and board questioning on sustainability strategy of selected underlying holdings.

[1] United Nations Principles for Responsible Investment, https://www.unpri.org/

Stewardship commitments

Please see below EQ's commitments across these four methods

1. **Assessment and Monitoring of external fund managers' own engagement and voting policies, processes, and records.**

EQ Investors predominantly invest in funds and Investment Trusts managed by external, third party managers. The investment team's focus therefore lies in the assessment and monitoring of their respective stewardship activities, applying shareholder rights on behalf of our client's capital.

We have developed an ESG and stewardship assessment methodology that allows the consistent and transparent rating of fund managers engagement and voting policies, processes, and records. Our rating methodology distinguishes between engagement intentionality. Here, we distinguish between fund-specific and asset-manager level activities, as well as differentiate between expectations by asset class targeted by the fund mandate.

This assessment of engagement and stewardship forms part of the final fund conviction, and the minimum baseline expectations will influence whether a fund passes the fund selection committee onto the EQ buy-list. The intentionality of a fund managers' engagement will further influence whether the fund is included in portfolios with sustainability mandates.

For any investments, we monitor the frequency and intention of engagement and how these activities feed into the ESG integration of the investment process. We also aim to assess the voting activity against the expectations held for the investment strategy.

The outcomes of these assessments, including any remaining identified weaknesses, will dictate where we prioritise our engagement efforts (Point 2 below).

2. **Engagement with external fund managers on identified weaknesses, and on strategic engagement themes, with an aim to affect ESG/sustainability and stewardship ambition.**

EQ seeks to improve and test the ambition of the fund managers to in turn push the boundaries of sustainable investment, maximising both sustainability credentials and financial returns. We support fund managers to keep abreast of rapidly evolving best practice, including in stewardship, impact analysis, ESG integration, and net-zero strategy. Furthermore, for strategies run under specific sustainability objectives, our in-depth analysis of underlying holdings allows us to have the information necessary to engage on security-specific sustainability outcomes.

EQ also engages on systematic sustainability issues with external fund managers, which are embedded into our strategic engagement themes. These themes are established every year, and reflect our priorities to reflect underrepresented topics, or topics that are highly material for large range of our portfolio's holdings. In the last reporting year, these included (as of May 2023): Access to medicine, healthy food, digital inclusion, workers health, climate change strategy at asset manager and company level, and biodiversity impacts. We report on these strategic engagement themes and progress milestones we have achieved with fund managers.

3. Collective, collaborative engagement on underlying holdings to elevate concerns on strategic engagement themes.

Collective, collaborative engagement is the most appropriate and effective way EQ Investors can directly push for positive ESG improvement and net-impact improvement in underlying companies held within the external funds we select. We join investor collaboration networks related to our strategic engagement themes with focused sets of companies, such as decarbonisation, modern slavery, digital inclusion, or nutrition. Within this effort EQ investors contributes to objective-setting, joins, and participates in company meetings, sends engagement letters and conducts site visits (where appropriate).

We also collaborate with investors and industry bodies in advocating for sustainable investing, best practice, and increased transparency/standardisation of approaches.

4. AGM attendance and Q&A

It is rare that investors can speak to Board members of investee companies, and most engagement is conducted with company management teams. However, Boards are ultimately accountable to shareholders.

Where possible, EQ will take the opportunity to attend AGMs of the underlying companies held in our clients' portfolios, in order to raise financially material ESG topics to the Board's agenda. This is usually part of a strategic engagement theme (2.) and/or related to the activities of a collaborative investor group (3.)

Escalation strategies

When a weakness in ESG, impact or stewardship is identified in an external fund managers policies, process, or practice, the first point of response is dedicated engagement meetings.

If the fund's weakness (e.g., a holding breaches exclusions, voting activity consistently unaligned) runs contrary to the objectives of the relevant EQ portfolio strategy, and fund managers are reluctant to act constructively on our engagement attempts in a reasonable time frame, EQ's investment analysts will reflect this in fund convictions and seek to a find a suitable alternative within 12 months.

Reporting on stewardship activities

EQ publishes an annual impact report that details the thematic engagements we have participated in the reporting period. EQ has developed a milestone tracking framework, which communicates the success of engagements.

We update our clients in monthly and quarterly commentaries on recent stewardship activities and achievements.

EQ will use its discretion when disclosing our engagement activity with external fund managers and/or underlying companies, as sometimes public disclosure will interfere with the trust EQ has built and can hinder future engagements and ultimately the best outcome for our stewardship of clients' capital.