Epoch Investment Partners

UK Stewardship Code 2020 Report (prepared March 2021)

Principle 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Context: Signatories should explain: • the purpose of the organisation and an outline of its culture, values, business model and strategy; and • their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why.

Activity: Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship.

Outcome: Signatories should disclose: • how their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making; and • an assessment of how effective they have been in serving the best interests of clients and beneficiaries.

Epoch Investment Partners, Inc. ("Epoch") is a global investment firm with roughly US$31.5b in assets under management as of 31 Dec 2020. We are investors in public equity markets across developed and emerging markets. Epoch believes that the best predictors of long-term shareholder return are growth in free cash flow and management's skill in allocating that cash. We prefer cash flow to earnings for three reasons. First, cash flows are more reliable than reported earnings because they are harder to manipulate under accounting rules. Second, for innovative businesses which derive much of their economic value from intangible assets, reported earnings have become increasingly less relevant as a measure of value generation compared to cash flows. Third, businesses which appear to generate reported earnings but not cash flows are more likely to run into financial distress.

Capital allocation matters because decisions on how to allocate cash flows—whether to reinvest in order to grow a company, or to return capital to shareholders—can create or destroy long-term shareholder value. As a result, our security selection process emphasizes free-cash-flow metrics and capital allocation as opposed to traditional accounting-based metrics such as price-to-book and price-to-earnings. Specifically, we look for a consistent and sustainable ability to generate free cash flow and to allocate it effectively among internal reinvestment opportunities, acquisitions, dividends, share re-purchases, and debt paydowns.

Epoch's approach to stewardship supports our mission as fiduciaries to address the interests of our clients and provide attractive, risk-adjusted returns. Our investment process incorporates ESG issues when, in our view, these issues may have a material impact on either investment risk or return. We believe good governance practices and responsible corporate behavior contribute to the positive long-term performance of companies and can help reduce investment risk.

Beliefs

1. Free cash flow and the effective allocation of capital drive long-term value creation. These, together with price and risk, determine risk-adjusted return.
2. Good corporate governance is essential. Many other factors, including those related to broader governance, social, and environment issues, have always affected—and for some companies, will increasingly affect—return and risk.
3. As a result, it is important for us to continue to broaden our investment scope to consider ESG-related factors which impact returns and risk, and to seek to influence managements to address ESG-related issues that may affect our investment results.

Principles

1. The relevance, materiality, and timeliness of ESG factors vary by industry, country, and company.
2. Investment team members are responsible for the level of integration into the investment process. In making investment decisions, the investment team will evaluate those ESG factors which it believes are relevant and material to return or risk over the anticipated time horizons of our investments.
3. As Epoch continues to enhance its ESG approach, ESG factors will be further integrated into our overall investment process by our investment team.
4. We will engage with company management teams to advocate that they address ESG-related issues, which we believe will meaningfully enhance the return or reduce the risk of our investment in them.
5. We will demonstrate our assessment of ESG-related factors in our investment decision-making and our advocacy with companies to address ESG-related issues.

To date, we believe we have managed to execute our stewardship goals in line with our fiduciary interests to our clients, and we detail some of these accomplishments through this report. However, this work is constantly evolving, and we seek to refine our approach over time. We believe that a strong governance structure at the firm level, combined with a commitment to more robust stewardship, will provide the foundation for these future developments.

Principle 2: Signatories' governance, resources and incentives support stewardship.

Activity: Signatories should explain how: • their governance structures and processes have enabled oversight and accountability for effective stewardship within their organisation and the rationale for their chosen approach; • they have appropriately resourced stewardship activities, including: - their chosen organisational and workforce structures; - their seniority, experience, qualifications, training and diversity; - their investment in systems, processes, research and analysis; - the extent to which service providers were used and the services they provided; and • performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decision making.

Outcome: Signatories should disclose: • how effective their chosen governance structures and processes have been in supporting stewardship; and • how they may be improved.

Epoch’s ESG initiatives are directly overseen by Ravi Varghese, our Head of Sustainable Investing. In conjunction with co-CIO Bill Booth, he reports on these items to the firm's Equity Leadership Group, comprising the firm's senior leaders. Our ESG efforts are ultimately overseen by our CEO, ensuring implementation across the organization.

The firm’s senior leadership also oversees ESG through several other avenues. Epoch's ESG policy is reviewed by Epoch's co-CIOs, Head of Sustainable Investing and Chief Compliance Officer on an annual basis. Proposed changes must be approved by Epoch's CEO before they can be implemented. We also have a separate Proxy Voting Group made up of our Head of Sustainable Investing, co-CIO, Head of Risk Management, Compliance & Operations teams as well as members of our Investment team to evaluate proxy-specific issues.

Epoch has a dedicated team working solely on the ongoing implementation of Epoch's ESG program, led by our Head of Sustainable Investing. His bio is included below:

Ravi Varghese, Director, Head of Sustainable Investing, joined Epoch in 2019 as an ESG analyst, focusing on ESG research across the firm. Prior to joining Epoch, he completed an MSc in Climate Change and Finance from Imperial College London and worked at Ceres, a sustainability organization in Boston. He also has investment experience spanning multiple asset classes at HighVista Strategies, long/short equities work at Arbiter Partners and global macro investing at Protégé Partners. Ravi earned a B.A. in Sociology with Economics from Yale University and a Masters in Finance from London Business School. He has been Epoch’s Head of Sustainable Investing since January 2021.

We have extended an offer to an ESG analyst to join our team, with employment commencing in April 2021. We believe this candidate will enhance our research and engagement capabilities with her strong background in sustainability and climate change from prior roles.

ESG integration is also implemented by our fundamental analysts who are required to submit an ESG write-up for every new name they cover in the portfolio. As with Epoch’s dedicated risk management function, we believe partnering the fundamental investment team with a dedicated ESG team will produce the best outcomes. In order for this model to work, it is crucial that we provide our team with the requisite resources. First, Epoch utilizes both internal and external ESG research. We subscribe to MSCI ESG research to provide general ESG research, which is a useful foundation for our investment analysts, and use S&P Trucost for specialized environmental data given their leadership in the industry. We also draw research from a host of additional sources, including industry associations such as CDP, PRI and Ceres, each of whom provides a different angle on ESG issues. We also use ISS, our proxy advisor, for research and industry developments related to proxy voting.

In 2019, we introduced several academics and research groups specializing in ESG issues to the firm’s investing leadership and analysts throughout the year. We further hosted a series of teach-ins to educate the firm about Epoch's approach to integrating climate change into our investment process. In 2020, we hosted six teach-ins describing Epoch's new ESG policy and offering detailed feedback on the team's ESG notes.

We aim to keep the firm’s ESG knowledge current by using both internal and external resources to update our investment team frequently. Given our renewed focus on corporate governance, we brought in an external expert to speak with our Investment team in Q1 2021 about integrating corporate governance considerations into the investment process.

In our integrated ESG model, it is our dedicated ESG team who allow the firm to maintain leading-edge knowledge on ESG issues. They provide a holistic perspective on best practices and areas for improvement across sectors, industries, and countries, as well as providing objective, unbiased insights and feedback regarding investments made at Epoch. We are committed to the development of our ESG specialists through training, conferences and other educational resources as appropriate.

Finally, we consider how our team is incentivized to pursue its ESG and stewardship goals. The Sustainable Investing team is incentivized to meet certain pre-agreed goals for the year. While ESG is not specifically accounted for in the Investment team's compensation plan (excluding the Sustainable Investing team), adherence to Epoch's ESG goals is an increasingly important qualitative expectation for the entire Investment team.

We believe our governance structures have thus far been effective in supporting stewardship goals. However, as noted above, we will likely take a more active approach to voting in the future while continuing to review the governance and incentive structures in place. We strive to provide a robust, firmwide framework for proxy voting while giving portfolio managers and analysts discretion in individual votes, given their greater familiarity with individual companies. Refining this balance will continue to be part of Epoch's stewardship evolution.

Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Context: Signatories should disclose their conflicts policy and how this has been applied to stewardship.

Activity: Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.

Outcome: Signatories should disclose examples of how they have addressed actual or potential conflicts. Conflicts may arise as a result of: • ownership structure; • business relationships between asset owners and asset managers, and/or the assets they manage; • differences between the stewardship policies of managers and their clients; • cross-directorships; • bond and equity managers' objectives; and • client or beneficiary interests diverging from each other

Epoch's Code of Ethics and Business Conduct lays out our policy on managing conflicts: http://www.eipny.com/wp-content/uploads/2021/02/Epoch-Code-of-Ethics-and-Business-Conduct-October-2020.pdf. The relevant section is excerpted below:

> Section 206(2) of the Advisers Act prohibits investment advisers from engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client whereas Section 206(4) of the Advisers Act prohibits investment advisers from engaging in any act, practice, or course of business which is fraudulent, deceptive, or manipulative. Rule 206(4)-8(a) under the Advisers Act effectively extends this prohibition so as to apply to pooled investment vehicle investors or prospective investors. A failure to identify, disclose and/or manage a conflict of interest could constitute a violation of any of these provisions.

Epoch's policy is to disclose, mitigate, and/or eliminate all identified conflicts of interest in the best interests of its Clients and Investors. In the event that a conflict of interest arises between Clients and/or Investors, Epoch's policy is to seek to resolve such conflict as fairly as possible in relation to all parties.

You must avoid any activity or personal interest that creates, or appears to create, a conflict between your interests and the interests of Epoch or a Client or Investor. A conflict of interest occurs when your private interest interferes or appears to interfere with the interests of the Company or a Client or Investor. For example, a conflict of interest would arise where You or a Family Member receives improper personal benefits as a result of your position in the Company. Conflicts of interest include, by way of example:

- Soliciting or accepting gifts, entertainment, or other benefits from an organization that does, or seeks to do, business with Epoch in violation of Epoch's policies;
- Owning a meaningful financial interest in, being employed by or acting as a consultant to or board member of an organization that competes with Epoch; Owning a meaningful financial interest in, being employed by or acting as a consultant to or board member of an organization that does, or seeks to do, business with Epoch;
- Borrowing money from a Business Associate unless that Business Associate is regularly engaged in the business of lending money or such other property, and the loan and the terms thereof are in the ordinary course of the Business Associate's business; or
- Making a material decision on a matter on behalf of Epoch or a Client where your financial, reputational, or other self-interests may reasonably call the appropriateness of the decision into question.

Disclosure and Reporting of Conflicts of Interest
Epoch requires You to fully disclose any potential or actual conflicts of interest as soon as it is known by speaking with the Code of Ethics Contact Person who may discuss and/or seek the approval of the conflict with the Conflict Resolution Group and the Operating Committee depending on the nature and severity of the conflict. Additionally, Epoch requires You to complete a Compliance Questionnaire upon joining the firm and at least annually thereafter. Many of the questions contained in the Compliance Questionnaire are intended to identify actual or potential conduct that could constitute a conflict of interest.

Neither You nor a Family Member shall personally benefit, directly or indirectly, or derive any other personal gain from any business transaction or activity of Epoch, except when the transaction or activity has been fully disclosed to and approved in writing by the Conflict Resolution Group. For the avoidance of doubt, the receipt of business gifts or entertainment pursuant to Epoch's Business Entertainment and Gift Policy does not require written Conflict Resolution Group approval.

Neither You nor a Family Member shall have any meaningful personal business or financial interest in any Business Associate or competitor of Epoch, without prior written consent from the Conflict Resolution Group. For the avoidance of doubt, holding 5% or less of the outstanding equity interests of a Business Associate or competitor whose equity interests are publicly traded shall not be deemed "meaningful."

Neither You nor a Family Member shall hold any position with (including as a member of the board of directors or other governing body) or perform services for a Business Associate or a competitor of Epoch, without prior written consent from the Conflict Resolution Group.

Neither You nor a Family Member shall provide any services to other business enterprises which reasonably could be deemed to adversely affect the proper performance of your work for Epoch or which might jeopardize the interests of Epoch or a Client, including serving as a director, officer, consultant or advisor of another business, without prior consent in writing by the Conflict Resolution Group. In addition, You must list all outside business interests on the new employee certification and on the annual Code of Ethics and Business Conduct acknowledgement and certification.

Neither You nor a Family Member shall direct, or seek to direct, any business of Epoch to any business enterprise in which you or a Family Member has a meaningful ownership position or serves in a leadership capacity, without prior written consent from the Conflict Resolution Group. For the avoidance of doubt, holding 5% or less of the outstanding equity interests of a Business Associate or competitor whose equity interests are publicly traded shall not be deemed "meaningful."

We also note several other types of conflicts which may arise in our business:

- **Divergence of proxy voting across strategies:** Using a combination of ISS and internal research, an analyst makes his/her recommendation, which is reviewed/approved by the relevant portfolio manager. However, where a security is held in multiple of Epoch's portfolios, analysts are permitted to make different recommendations depending on the strategy's goals. Internal conflicts may be referred to the Proxy Voting Group, made up of our Sustainable Investing team, the relevant research analyst, co-CIO Bill Booth, Head of Risk Management, and representatives from Compliance and Operations to evaluate proxy-specific issues. However, discretion ultimately lies with the Portfolio Managers of a given strategy. As an example, in Q4 2019, a large cap tech company was held in four different portfolios at the firm. Our proxy advisor, ISS, recommended voting against the company on two proposals related to executive compensation and diversity. We convened a meeting of the Proxy Voting Group, the four relevant PMs and their analysts. After a robust discussion, two of the PMs decided to vote in line with the ISS recommendation, while two PMs felt that the investment goals of their strategies would be best served by supporting management. We documented this meeting and the decisions taken in line with our Compliance procedures.
- **Divergence of ESG analysis:** Each analyst is required to submit an ESG analysis of companies held in the portfolio. However, where a stock is held in multiple portfolios, different analysts are asked to submit their own analyses since their assessment of the materiality of ESG issues may differ based on the strategy's goals.
- **Divergence between Epoch and clients:** In the event of divergence between Epoch and clients, we may be able to tailor solutions for clients. For example, we do not utilize exclusionary lists in managing our strategies. However, we are able to implement client-provided restricted lists. We believe this allows us to fulfil our fiduciary responsibility to all our clients equally.

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Activity: Signatories should explain: • how they have identified and responded to market-wide and systemic risk(s), as appropriate; • how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets; • the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples; and • how they have aligned their investments accordingly.

Outcome: Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets. Market-wide risks are those that lead to financial loss or affect overall performance of the entire market and include but are not limited to: • changes in interest rates; • geopolitical issues; and • currency rates. Systemic risks are those that may lead to the collapse of an industry, financial market or economy and include but are not limited to: • climate change; and • the failure of a business or group of businesses. Stakeholders may include investors, issuers, service providers, policymakers, audit firms, not-for-profits, regulators, associations and academics.

Epoch believes that its stewardship activities can contribute to a well-functioning financial system. For example, we believe climate change could pose a systemic risk to financial markets. As such, we have devoted a large amount of effort to raising awareness and encouraging action on climate change. For example, in Q4 2019, Epoch supported the PRI-led Investor Expectations Statement on Climate Change for Airlines and Aerospace Companies. Ravi Varghese, currently our Head of Sustainable Investing, also penned a guest blog post for the PRI in Q1 2020 explaining Epoch's support of this initiative: https://www.unpri.org/pri-blogs/coronavirus-concerns-should-not-divert-aviations-climate-response/5635.article. We believe that future regulation of airline emissions is a significant risk for companies in the sector, and have pushed them to proactively address these challenges, albeit in a more measured fashion given stresses from COVID-19.

Epoch also supported a Ceres-led letter calling on financial regulators to take climate risk into account in their regulatory frameworks. Ravi Varghese was featured in GreenBiz explaining Epoch's support for this initiative: https://www.greenbiz.com/article/why-investors-want-financial-regulators-tackle-climate-risk. We believe that climate change is a systemic economic risk and that investors will be served well by having regulators approach it in a more robust fashion to avoid stranded assets, among other risks. Since we supported the Ceres initiative, we have observed heightened awareness of climate issues among financial regulators and believe this momentum will continue to build in 2021. For example, in the United States, the Federal Reserve announced the creation of the Financial Stability Climate Committee and the Supervision Climate Committee. While we certainly do not claim credit for this outcome, we believe Epoch's voice is a valuable addition to investor requests for more robust regulation of systemic risks.

Finally, we led the CDP Disclosure Campaign with one of our holdings, Martin Marietta Materials. We believe that appropriate disclosure of ESG information is a critical component for stewardship and therefore financial market stability.

In summary, we believe that our stewardship activities contribute to financial market stability by encouraging companies, regulators and other market participants to take a long-term, holistic view of investing through the incorporation of ESG considerations.

Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Activity: Signatories should explain: • how they have reviewed their policies to ensure they enable effective stewardship; • what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and • how they have ensured their stewardship reporting is fair, balanced and understandable.

Outcome: Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes. Internal assurance may be by given by senior staff, a designated body, board, committee, or internal audit and external assurance by an independent third party.

Epoch's ESG policy is reviewed by Epoch's co-CIOs, Head of Sustainable Investment and Chief Compliance Officer on an annual basis. Proposed changes must be approved by Epoch's CEO before they can be implemented.

We also monitor ESG integration and stewardship at the implementation level. We currently incorporate ESG factors into our assessment of a company through an ESG Note prepared by our investment analysts or through engagement material generally led by our Sustainable Investing team. The ESG Notes are audited by the Sustainable Investing team and one of our co-CIOs. We recently held three training sessions for our investment team offering extensive feedback on the notes produced so far. These will be updated at least every 12 months, producing a regular monitoring cycle. Our ESG efforts are ultimately overseen by our CEO, ensuring implementation across the organization. In addition, Compliance periodically reviews to ensure compliance with the policy.

In addition, we review our proxy voting policies and processes annually. We are currently updating our Proxy policies and processes to reflect the firm's newest ESG policy, which was updated in Q2 2020. An important part of this process is reviewing our relationship with ISS, who we have historically used as our proxy advisor. We receive regular communications from ISS including policies and voting recommendations which portfolio managers and analysts review. We also obtain quarterly voting statistics from ISS. [Going forward, Epoch expects to incorporate a more active approach to voting]. In Q4 2020, we reviewed our use of ISS's benchmark policy to ascertain if it aligned with our ESG goals. Our conclusion was that the Benchmark policy was more appropriate than some of the specialized policies. We will continue to review the policy periodically. The most important body for evaluating our proxy efforts is Epoch’s Proxy Voting Group, which includes our Sustainable Investing team, co-CIO, Head of Risk Management, Compliance and Operations personnel as well as members of our Investment team. This group meets three times a year and on an ad hoc basis as necessary.

We use external evaluation frameworks such as the PRI annual assessment to measure our progress. The PRI assessment process allows us to identify gaps in our ESG structures and processes. For example, we updated our ESG Policy in Q1 2020 reflecting lessons from the previous year's assessment. This is also an important way for us to ensure that our stewardship reporting is balanced and updated, along with our Annual Sustainable Investing report. We believe that the continuous improvement in our PRI scores as well as various internal metrics reflect our ongoing progress as well as our commitment to further advancement.

Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Context: Signatories should disclose: their client base, for example, institutional versus retail, and geographic distribution; - assets under management across asset classes and geographies; • the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why.

Activity: Signatories should explain: how they have sought and received clients' views and the reason for their chosen approach; • how assets have been managed in alignment with clients' stewardship and investment policies; • what they have communicated to clients about their stewardship and investment activities and outcomes to meet their needs, including the type of information provided, methods and frequency of communication to enable them to fulfil their stewardship reporting requirements.

Outcome: Signatories should explain: • how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries; • how they have taken account of the views of clients and what actions they have taken as a result; • where they have not managed assets in alignment with their clients' stewardship and investment policies, and the reason for this.

Epoch had total AUM of $31.5 billion as of Dec 31 2020, 99.6% of which was institutional, including sub-advised funds. 91% of AUM is domiciled in the U.S. and Canada, with roughly 4% each in Europe/UK and Asia/Australia.

While Epoch has always taken its commitment to stewardship seriously, we noticed a major uptick in client interest in this area in 2018. Our Head of Sustainable Investing and our Client Relationship team engaged deeply with existing clients to best understand their goals and needs. We signed the PRI that year as well as developing an ESG framework. We determined that integrating ESG into all of our investment processes was the best solution for meeting our fiduciary duty to our clients while aligning with clients' investment and stewardship policies. This has continued to guide Epoch's efforts in our ESG and stewardship activities.

Our current ESG reporting mainly revolves around two documents. The first is the PRI Transparency Report, which is the outcome of the annual PRI assessment process. The second is our Annual Sustainable Investing Report, which we publish annually in Q1. The most recent Annual Report is available on our website. In these documents, we report on a wide range of descriptive elements and quantitative indicators such as governance structures, processes, metrics, engagement details and proxy voting statistics.

We also report on our ESG and stewardship activities through client due diligence questionnaires (DDQs). These DDQs often provide more detail about our efforts in this area. We note clients' increasing use of these DDQs to learn more about our ESG initiatives. Our Sustainable Investing team began tracking its involvement in prospect RFPs, client DDQs and other interactions in 2019. The number of total ESG-related interactions doubled from 2019 to 2020 and is on pace to double again in 2021. We welcome this interest in our ESG and stewardship processes, and use these interactions as an opportunity to learn how best to serve our clients.

We continue our close dialogue with clients to understand how to best act as stewards of their capital and how we can effectively communicate our activities to them.

Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Context: Signatories should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding and exiting. This should include the ESG issues of importance to them.

Activity: Signatories should explain: • how integration of stewardship and investment has differed for funds, asset classes and geographies; • the processes they have used to: - integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of clients and/or beneficiaries; and - ensure service providers have received clear and actionable criteria to support integration of stewardship and investment, including material ESG issues.

Outcome: Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries.

Epoch's approach to ESG supports our mission as fiduciaries to address the interests of our clients and provide attractive, risk-adjusted returns. Our investment process incorporates ESG issues when, in our view, these issues may have a material impact on either investment risk or return. We believe good governance practices and responsible corporate behavior contribute to the positive long-term performance of companies and can help reduce investment risk.

Central to Epoch's investment beliefs is the view that sustainable companies will be able to generate positive free cash flow from operations over the longer term. Good governance practices provide the framework for this through the provision of appropriate strategic direction and policy setting. In addition, successful capital allocation requires astute management and oversight by Boards. Epoch believes that the effective allocation of free cash flow over time drives long-term value creation for shareholders.

Such Governance, or "G", considerations have always been a central focus of our investing approach. We similarly believe that “E" and "S" considerations are extremely helpful in broadening the investment research lens to help better understand both risks and opportunities for the companies we invest in.

We evaluate ESG factors in the same way we evaluate factors defined by more traditional economic and financial metrics – what effect will this have on the ability of the company to sustainably generate cash flow? In this sense, ESG factors are part of the overall risk/reward evaluation we conduct.

In the near term, we have decided to primarily focus on issues related to climate change and governance practices, particularly the alignment of executive compensation with shareholder interests. We believe these issues are widely applicable across most industries. Over time, we expect to broaden and develop further the factors we incorporate into our considerations, where such factors are material to the investment case.

Epoch has a dedicated team working solely on the ongoing implementation of Epoch's ESG program. ESG integration is also implemented by our fundamental analysts who are required to submit an ESG write-up for every name in the portfolio. As with Epoch’s dedicated risk management function, we believe partnering the fundamental investment team with dedicated ESG specialists will produce the best outcomes. Our dedicated ESG specialists allow the firm to maintain leading edge knowledge on ESG issues; to provide a holistic perspective on best practices and areas for improvement across sectors, industries, and countries; and to provide objective, unbiased insights, and feedback regarding investments made at Epoch.

We currently incorporate ESG factors into our assessment of a company through an ESG Note prepared by our investment analysts or through engagement material generally led by our Sustainable Investing team. We believe that the relevance, materiality, and timeliness of ESG factors vary by industry and company. We expect *any* ESG issue that is material to the potential outcome of our investments to be researched and analyzed by our investment team. Our investment team evaluates ESG factors which it believes are relevant and material to return or risk over the anticipated time horizons of our investments. We formally document our ESG assessment of portfolio holdings in our proprietary research database and written investment theses.

Within our stock analyses, there is a section focused on identifying underlying ESG elements. These comments are flagged to members of the Sustainable Investing team, and the lead analyst may engage directly with the Sustainable Investing team as needed. As investment research and potential recommendations are further developed, these comments are formalized and incorporated into a final thesis review as noted above.

The ESG Notes are audited by the Sustainable Investing team and one of our co-CIOs. In 3Q 2020, we held three training sessions offering extensive feedback on the notes produced so far.

We use a combination of internal and external research to identify and understand ESG risks and opportunities. These include the sell side, general ESG research sources such as MSCI, or more issue-specific sources such as climate change think tanks.

Information is also generated through the engagement process. One of our objectives in meeting with management is to assess the company's strategy to address the business implications of a carbon-constrained world and the impact of climate change. We aim to gauge management's thoughtfulness, credibility, and commitment to future-proofing the business to align with global policy objectives (i.e. a "2-degree scenario"). Depending on the company, our engagement calls/meetings can address other ESG issues such as plastic waste and diversity & inclusion.

Engagement calls are led by our Sustainable Investing team and are also typically attended by our fundamental research analysts. Call notes are shared through our Research Management System, and such information can then be used by portfolio managers and analysts in their evaluation of the company. Ultimately, Epoch's analysts and portfolio managers decide on the utility of the information gained from such engagements and how, if at all, it should impact investing decisions.

Our engagements thus far have given us increased information about how companies are approaching climate transition risk in particular. We have been primarily interested in understanding whether companies are at risk of stranded assets, but we have uncovered relatively little such risk in our analysis. To date, we have focused largely on whether we meet qualitative objectives set out before the meeting, largely to do with understanding a company's ESG strategy. Over time, we may seek to further quantify our impact in our engagements.

Finally, we continually monitor our service provider relationships to assess their value to our ESG integration efforts. As an example, Epoch has historically used ISS as its proxy advisor. We receive regular communications from ISS including policies and voting recommendations which portfolio managers and analysts review. However, we regularly refresh our views of the provider. For example, we reviewed ISS's benchmark policy in Q4 2020 to ascertain if it aligned with our ESG goals. Our conclusion was that the Benchmark policy was more appropriate than some of the specialized policies. In a similar vein, we aim to periodically review our various service providers to evaluate if they are contributing effectively to our ESG and stewardship integration efforts.

Principle 8: Signatories monitor and hold to account managers and/or service providers.

Activity: Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.

Outcome: Signatories should explain: • how the services have been delivered to meet their needs; OR • the action they have taken where signatories' expectations of their managers and/or service providers have not been met. For example: • asset managers monitoring proxy advisors to ensure, as far as can reasonably be achieved, that voting has been executed according with the manager's policies; and • asset managers monitoring data and research providers to ensure the quality and accuracy of their products and services.

To date, we believe that our service providers have delivered strong results in meeting our needs. We continually monitor our service provide relationships to assess their value to our ESG integration efforts. This includes our relationships with MSCI, our general ESG research provider, and S&P Trucost, who provides us specialized environmental data. We believe these are both highly credible data providers. In the rare instances we have uncovered discrepancies in their data, both providers have been responsive in trying to understand our viewpoint and correcting inaccuracies if necessary.

Another example of our monitoring vis-à-vis service providers is Epoch's relationship with ISS, whom we have historically used as our proxy advisor. We receive regular communications from ISS including policies and voting recommendations which portfolio managers and analysts review. However, we regularly refresh our views of the provider. For example, we reviewed ISS's benchmark policy in Q4 2020 to ascertain if it aligned with our ESG goals. Our conclusion was that the Benchmark policy was more appropriate than some of the specialized policies. In a similar vein, we aim to periodically review our various service providers to evaluate if they are contributing effectively to our ESG and stewardship integration efforts.

While we monitor our service providers continuously, we believe a two-year cycle is generally appropriate for assessing their effectiveness in meeting Epoch's needs.

Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.

Activity: Signatories should explain: •how they have selected and prioritised engagement (for example, key issues and/or size of holding); • how they have developed well-informed and precise objectives for engagement with examples; • what methods of engagement and the extent to which they have been used; • the reasons for their chosen approach, with reference to their disclosure under Context for Principle 1 and 6; and • how engagement has differed for funds, assets or geographies. Examples of engagement methods include but are not limited to: • meeting the chair or other board members; • holding meetings with management; • writing letters to a company to raise concerns; and • raising key issues through a company's advisers.

Outcome: Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf

For example: • how engagement has been used to monitor the company; • any action or change(s) made by the issuer(s); • how outcomes of engagement have informed investment decisions (buy, sell, hold); and • how outcomes of engagement have informed escalation. Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.

Engaging with issuers is an important element of Epoch's ESG integration and stewardship efforts. We view engagement as a way to deepen our research of a company's strategy and processes. We also use engagement as an avenue for advocating for desired strategies and policies, while serving as a sounding board for corporate management teams who are eager to understand ESG best practices.

Currently, Epoch's engagements are centered on understanding climate change risk, especially transition risk. We view climate change as an issue of systemic risk with implications for many companies across our strategies. It is also an issue of high priority for our clients. We use S&P's Trucost database to assess the carbon exposure of our portfolios on a quarterly basis. This analysis identifies key metrics at a portfolio level and indicates which stocks are the principal drivers of the carbon exposure within the portfolio. This is an effective tool for identifying possible engagement needs.

Engagement calls are led by our Sustainable Investing team and are also typically attended by our fundamental research analysts. Prior to the engagement, we prepare detailed research to understand a company's positioning on various ESG issues and outline important questions. One of our main objectives in meeting with management is to assess the company's strategy to address the business implications of a carbon-constrained world and the impact of climate change. We aim to gauge management's thoughtfulness, credibility, and commitment to future-proofing the business to align with global policy objectives (i.e. a "2-degree scenario"). Depending on the company, our engagement calls/meetings can address other ESG issues such as plastic waste and diversity & inclusion.

Call notes are shared through our Research Management System, and such information can then be used by portfolio managers and analysts in their evaluation of the company. Ultimately, Epoch's analysts and portfolio managers decide on the utility of the information gained from such engagements and how, if at all, it should impact investing decisions.

We conducted 15 full engagements firm-wide in 2020. These engagements were centered on high-emitting companies in the Utilities, Energy and Materials sectors. Our engagements thus far have given us increased information about how companies are approaching climate transition risk in particular. We have been primarily interested in understanding whether companies are at risk of stranded assets, but we have uncovered relatively little such risk in our analysis.

To date, we have focused largely on whether we meet qualitative objectives set out before the meeting, largely to do with understanding a company's ESG strategy. Over time, we may seek to further quantify our impact in our engagements. Furthermore, we are also likely to expand the range of ESG issues where we engage with companies. This may entail a shift in our engagement processes, away from the current model, which is largely led by the Sustainable Investing team.

Our ongoing engagement with Duke Energy, which we began in 2019, exemplifies our approach to engagement. We are a longstanding shareholder in Duke Energy, one of the largest utility companies in the US. As of 2019, natural gas made up 42% of the company's regulated generating capacity, while 27% was coal. Naturally, this generates a large carbon footprint, with the company reporting Scope 1 CO_2 emissions of 93 million tons in 2019. As such, our quarterly carbon analysis flagged Duke as a significant contributor to the carbon footprint of various strategies. However, the company announced a new climate goal in September 2019 to achieve a 50% reduction in emissions by 2030 from a 2005 baseline, and to achieve net zero emissions by 2050.

To achieve these goals, Duke has highlighted several strategic planks:

- Continuing to deploy natural gas to speed the transition from coal
- Accelerating the transition to clean energy solutions
- Continuing to operate existing carbon-free generation, including roughly 11 GW of nuclear generation
- Continuing to expand energy storage, energy efficiency and EV infrastructure; and
- Advancing load management programs and rate design to promote energy efficiency

The first two points have generated some controversy in the ESG industry. Many commentators have criticized the company's plans for new gas-fired plants. However, the company has produced useful information through its Integrated Resource Plan (IRP) process in the Carolinas, showing Duke's attempt to model the trade-offs in trying to solve for low costs, system reliability and decarbonization. While we believe there are further steps the company could take to keep costs low, this information helps us understand some of the need to keep new natural gas on the table as an option.

Additionally, the company has attracted some attention for its heavy reliance on what it calls "zero-emitting load-following resources" (ZELFRs) to meet its future decarbonization goals. Essentially, these are clean energy resources which the company can control, unlike intermittent renewables. Duke's analysis projects that ZELFRs may supply 30% of its energy mix by 2050 in some scenarios. Many ZELFR candidates are at admittedly early stages of maturity, such as advanced nuclear, carbon capture, utilization and storage (CCUS), hydrogen and long-duration storage. Nonetheless, we do not see any issue with the company leaving some scope for technological change in its plans. If anything, it reveals the necessity for a more unified effort between government and business to promote needed technological advances.

We continue to monitor Duke's progress in their ESG efforts, particularly on their 50% emission reduction plan by 2030, as well as ensuring that their lobbying activities are aligned with their ESG commitments. While we may not agree with every single step the company takes, we continue to view engagement as an important component of using our shareholder voice. Through the engagement process, we have interacted with company senior leadership across various business lines, enriching our understanding of the company's activities and strategy.

Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.

Activity: Signatories should disclose what collaborative engagement they have participated in and why, including those undertaken directly or by others on their behalf. For example: • any action or change(s) made by the issuer(s); • how outcomes of engagement have informed investment decisions (buy, sell, hold); and • whether their stated objectives have been met. Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.

Outcome: Signatories should describe the outcomes of collaborative engagement. For example: • collaborating with other investors to engage an issuer to achieve a specific change; or • working as part of a coalition of wider stakeholders to engage on a thematic issue. Signatories should provide examples, including • the issue(s) covered; • the method or forum; • their role and contribution.

We see collaborative engagement as an emerging trend in the ESG and stewardship fields. In this spirit, we led the CDP Disclosure Campaign with one of our holdings, Martin Marietta Materials. Prior to engaging with two US energy companies, we also spoke with Ceres to understand the broader engagement they had mobilized as part of Climate Action 100+, whose work we follow closely. That said, since our focused ESG and engagement efforts began in 2019, we have largely prioritized our own engagements to develop a depth of knowledge about specific companies while cultivating a relationship with their management teams.

We have, however, devoted a large amount of effort to broader industry collaboration on various themes. Most notably, we have been involved in raising awareness and encouraging action on climate change. For example, in Q4 2019, Epoch supported the PRI-led Investor Expectations Statement on Climate Change for Airlines and Aerospace Companies. Ravi Varghese also penned a guest blog post for the PRI explaining Epoch's support of this initiative in Q1 2020: https://www.unpri.org/pri-blogs/coronavirus-concerns-should-not-divert-aviations-climate-response/5635.article. We believe that future regulation of airline emissions is a significant risk for companies in the sector, and have pushed them to proactively address these challenges, albeit in a more measured fashion given stresses from COVID-19.

Epoch also supported a Ceres-led letter calling on financial regulators to take climate risk into account in their regulatory frameworks. Ravi Varghese was featured in GreenBiz explaining Epoch's support for this initiative: https://www.greenbiz.com/article/why-investors-want-financial-regulators-tackle-climate-risk. We believe that climate change is a systemic economic risk and that investors will be served well by having regulators approach it in a more robust fashion to avoid stranded assets, among other risks. Since we supported the Ceres initiative, we have observed heightened awareness of climate issues among financial regulators and believe this momentum will continue to build in 2021.

We continue to seek opportunities to use our collective voice as investors where we believe this would be in the best interests of our clients and stakeholders.

Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.

Activity: Signatories should explain: • how they have selected and prioritised issues, and developed well-informed objectives for escalation; • when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples; and • how escalation has differed for funds, assets or geographies.

Outcome: Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf. For example: • any action or change(s) made by the issuer(s); • how outcomes of escalation have informed investment decisions (buy, sell, hold); • whether their stated objectives have been met; and • any changes in engagement approach. Examples should be balanced and include instances where the desired outcome has not been achieved or is yet to be achieved.

We believe that escalation is part of our stewardship toolkit across Epoch's different strategies and investment geographies. For Epoch, escalation may include tools such as writing letters to a Board or supporting/filing resolutions. When appropriate, exiting a position is another form of escalation.

Since beginning our focused ESG efforts in 2019, we have had limited cause to escalate our stewardship activities while remaining shareholders. In 2019, the overarching message of our engagements was to encourage companies to raise the ambition of their climate strategies, particularly with regards to reducing emissions. In 2020, several of the companies held in our portfolios, particularly in the utilities sector, responded to our previous engagement by releasing aspirations or commitments to achieve net zero emissions in the 2040-2050 timeframe. We aim to assess these companies annually to gauge their progress, with the understanding that, for many of these companies, decarbonization is a complex process which will unfold over decades.

If a company ignores material ESG risks, it may be in our fiduciary interests to exit the holding rather than engage over the long term. For example, one of our US utility holdings was alleged to be involved in a bribery scandal. While we engaged with the company, we ultimately felt we did not have sufficient clarity on the situation and chose to exit the holding.

Principle 12: Signatories actively exercise their rights and responsibilities.

Reporting expectations for listed equity and fixed income investments are below. In addition, signatories should report on how they have exercised their rights and responsibilities across other asset classes they are invested in, where they have the ability to do so, as disclosed in their reporting against Principle 6.

Context: Signatories should: • explain how they exercise their rights and responsibilities, and how their approach has differed for funds, assets or geographies. In addition, for listed equity assets, signatories should: • disclose their voting policy, including any house policies and the extent to which funds set their own policies; • state the extent to which they use default recommendations of proxy advisors; • report the extent to which clients may override a house policy; • disclose their policy on allowing clients to direct voting in segregated and pooled accounts; and • state what approach they have taken to stock lending, recalling lent stock for voting and how they seek to mitigate 'empty voting'.

Activity: For listed equity assets, signatories should: • disclose the proportion of shares that were voted in the past year and why; • provide a link to their voting records, including votes withheld if applicable; • explain their rationale for some or all voting decisions, particularly where: - there was a vote against the board; - there were votes against shareholder resolutions; - a vote was withheld; - the vote was not in line with voting policy. • explain the extent to which voting decisions were executed by another entity, and how they have monitored any voting on their behalf; and • explain how they have monitored what shares and voting rights they have.

Outcome: For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months.

We primarily exercise our rights and responsibilities as shareholders through two avenues, namely corporate engagement and proxy voting. We view engagement as a means of advocating for desired strategies and policies, while serving as a sounding board for corporate management teams who are eager to understand ESG best practices.

Proxy voting is another crucial component of exercising our shareholder rights and responsibilities. Epoch's proxy voting policy, available on our firm website, is as follows:

Epoch maintains proxy voting authority for Client accounts, unless otherwise instructed by the client. Epoch votes proxies in a manner that it believes is most likely to enhance the economic value of the underlying securities held in Client accounts. Epoch will not respond to proxy solicitor requests unless Epoch determines that it is in the best interest of Clients to do so.

In light of Epoch's fiduciary duty to its Clients, and given the complexity of the issues that may be raised in connection with proxy votes, the Firm has retained Institutional Shareholder Services ("ISS"). ISS is an independent adviser that specializes in providing a variety of fiduciary-level proxy-related services to institutional investment managers. The services provided to the Firm include in-depth research, voting recommendations, vote execution and recordkeeping.

Notwithstanding the foregoing, the Firm will use its best judgment to vote proxies in the manner it deems to be in the best interests of its Clients. In the event that judgment differs from that of ISS, or that investment teams within Epoch wish to vote differently with respect to the same proxy in light of their specific strategy, the Firm will memorialize the reasons supporting that judgment and retain a copy of those records for the Firm's files. Additionally, the CCO will periodically review the voting of proxies to ensure that all such votes, particularly those diverging from the judgment of ISS, were voted consistent with the Firm's fiduciary duties. On at least an annual basis, the CCO or a designee will review this Proxy Voting and Class Action Monitoring policy. In addition, Epoch has formed a proxy voting group comprised of investment team, trading and compliance representatives. The group meets periodically.

Procedures for Lent Securities and Issuers in Share-blocking Countries: At times, neither Epoch nor ISS will be allowed to vote proxies on behalf of Clients when those Clients have adopted a securities lending program. The Firm recognizes that Clients who have adopted securities lending programs have made a general determination that the lending program provides a greater economic benefit than retaining the ability to vote proxies. Notwithstanding this fact, in the event that the Firm becomes aware of a proxy voting matter that would enhance the economic value of the client's position and that position is lent out, the Firm will make reasonable efforts to inform the Client that neither the Firm nor ISS is able to vote the proxy until the Client recalls the lent security. In certain markets where share blocking occurs, shares must be “frozen” for trading purposes at the custodian or sub-custodian in order to vote. During the time that shares are blocked, any pending trades will not settle. Depending on the market, this period can last from one day to three weeks. Any sales that must be executed will settle late and potentially be subject to interest charges or other punitive fees. For this reason, in blocking markets, the Firm retains the right to vote or not, based on the determination of the Firm’s Investment Personnel. If the decision is made to vote, the Firm will process votes through ISS unless other action is required as detailed in this policy.

Procedures for Conflicts of Interest: Epoch has identified the following potential conflicts of interest:

• Whether there are any business or personal relationships between Epoch, or an employee of Epoch, and the officers, directors or shareholder proposal proponents of a company whose securities are held in Client accounts that may create an incentive to vote in a manner that is not consistent with the best interests of Epoch’s Clients;

• Whether Epoch has any other economic incentive to vote in a manner that is not consistent with the best interests of its Clients; If a conflict of interest has been identified and Epoch intends to deviate from the proxy voting recommendation of ISS, then Epoch shall bring the proxy voting issue to the attention of affected Clients for guidance on how to vote the proxy.

Procedures for Proxy Solicitation: In the event that any officer or employee of Epoch receives a request to reveal or disclose Epoch’s voting intention on a specific proxy event, then the officer or employee must forward the solicitation to the CCO.

Procedures for Voting Disclosure: Upon request, Epoch will provide Clients with their specific proxy voting history.

Initial and Ongoing Diligence of Proxy Service Provider: The Compliance Department will conduct additional diligence on ISS to ensure the provider continues to have the capacity and competency to adequately analyze proxy issues on an annual basis. As part of the due diligence process the CCO, or a designee, obtains a completed questionnaire from ISS that assists Epoch in evaluating ISS’s services and any potential conflicts of interest that may exist. Recordkeeping Epoch must maintain the documentation described in the following section for a period of not less than five (5) years, the first two (2) years at its principal place of business. The Firm will be responsible for the following procedures and for ensuring that the required documentation is retained.

Client Request to Review Proxy Votes: If a Client requests to review the proxy votes, the Relationship Management team will:

• Record the identity of the Client, the date of the request, and the disposition (e.g., provided a written or oral response to Client’s request, referred to third party, not a proxy voting Client, other dispositions, etc.) in a suitable place.

• Furnish the information requested, free of charge, to the Client within a reasonable time period (within 10 business days). Maintain a copy of the written record provided in response to client’s written (including e-mail) or oral request.

Proxy Voting Records: The proxy voting record is periodically provided to Epoch by ISS. Included in these records are:

• Documents prepared or created by Epoch that were material to making a decision on how to vote, or that memorialized the basis for the decision.

• Documentation or notes or any communications received from third parties, other industry analysts, third party service providers, company's management discussions, etc. that were material in the basis for the decision.

Disclosure: The CCO will ensure that Part 2A of Form ADV is updated as necessary to reflect: (i) all material changes to this policy; and (ii) regulatory requirements related to proxy voting disclosure.

As indicated in our policy, Epoch uses Institutional Shareholder Service (ISS) to vote proxies, with the relevant research analyst reviewing each of their recommendations. After their review, the analyst can accept the recommendation or deviate from the ISS. The analyst then makes their recommendation, which is reviewed/approved by the relevant portfolio manager.

Going forward, Epoch expects to incorporate a more active approach to voting. We are currently updating our Proxy policies and processes to reflect the firm's updated ESG policy. In Q4 2020, we reviewed ISS's benchmark policy to ascertain if it aligned with our ESG goals. Our conclusion was that the Benchmark policy was more appropriate than some of the specialized policies ISS offers. We will continue to review the policy. We also review ISS's policy updates to ensure these align with Epoch's views on the relevant issues.

Our proxy efforts are primarily overseen by our Proxy Committee, which is made up of our Sustainable Investing team, the relevant research analyst, co-CIO Bill Booth, Head of Risk Management, and representatives from Compliance and Operations to evaluate proxy-specific issues.

Epoch voted on 6,585 proposals, which consisted of 99.31% of voteable items, in the past year from 1 January 2020 through 31 December 2020.

We voted in line with our policy on 99.86% of the items. This high number is unsurprising as the policy serves as a formal framework to guide our voting processes. Furthermore, Epoch voted with management on 92.83% of items. This high number is largely explained by the fact that Epoch tends to invest in companies where we identify strong management teams with excellent capital allocation skills, so we are reasonably likely to support management's performance. However, we are always seeking to increase the rigor of our analysis and are looking at various ways of evaluating management and corporate governance more critically in 2021. Executive compensation is likely to be a particular area of focus, and we look forward to reporting more on this in a year's time.

More detailed proxy voting statistics are available in our 2020 Sustainable Investing Report.

Coca-Cola European Bottling Partners provides a good example of Epoch's approach to proxy voting. In 2020, we voted in line with ISS and against management by voting against the re-election of two directors. We noted that neither director was deemed non-independent, and that the composition of the board did not adhere to UK best practices.

However, we voted against ISS and with management on a separate item. The company was proposing a waiver of its tender bid requirement. The tender bid requirement is generally in place to assuage minority investors about the risk of “creeping control” and to ensure that minority investors receive a suitable takeover premium. As such, ISS recommended voting against the waiver. Nonetheless, the relevant Epoch analyst and portfolio manager felt that this recommendation would complicate the company’s proposed share buyback. Effectively, in the absence of a tender bid waiver, the major shareholders would have to sell down their stakes while the company was repurchasing shares. We believed this to be contrary to the best interests of our clients, so we voted to waive the tender bid requirement. This example demonstrates the nuances of using our proxy voting as a means of exercising our shareholder rights and responsibilities.