

# ENGAGEMENT POLICY 2019

## Introduction and Scope

GAM Holding AG and its subsidiaries (“GAM Investments” or “We”) are trusted investment partners for clients and active stewards of their capital. We recognise that as a steward and fiduciary, we have a duty to act responsibly and with reasonable skill, care and diligence, in pursuit of sustainable value for our clients.

Dependent on the investment strategy, engagement is a core element to fulfilling our responsibility and sustainability obligations and is a prerequisite for the construction of more effective active long-only portfolios for our clients.

Our investment teams act within a tight risk controlled environment, whilst being autonomous, in their pursuit of value creation for their clients. We do, however, collectively believe that sustainable long-term success of companies is supported by effective investor stewardship and high standards of corporate governance.

Furthermore, we believe that companies are more likely to be successful in the long run where capital markets are stable with well-functioning and well governed social, economic and environmental systems. We recognise the importance of environmental, social and governance (“ESG”) factors to the long-term health and stability of companies and therefore include material ESG factors in our investment stewardship, engagement and proxy voting, activities.

We, at GAM, are committed to being transparent about how we conduct investment stewardship activities in support of long-term sustainable performance for our clients. We support the development of corporate governance, stewardship, responsible business codes and guidelines around the different jurisdictions, amongst others, the UK and EFAMA Stewardship Code as well as guidelines and codes set out by ICGN, UN and OECD. We are following the applicable law and regulations and are dedicated to applying the principles set out in these codes, to meet ownership responsibilities in respect of their holdings.

Our Governance and Responsible Investment (“GRI”) team oversees our engagement and stewardship of the companies in which we invest, and extend the principles of the applicable guidelines and codes across our business, taking into consideration relevant local differences, including regulations and legal frameworks, company structures and market practice.

We prioritise our corporate governance and stewardship resources based on a range of factors, including the materiality of the issue and the size of our holding, placing particular attention to issues likely to be material to the value of the company’s shares.

This policy sets out how we meet the requirements of the amended Shareholder Rights Directive (Directive 2007/36/EC amended by Directive (EU) 2017/828, “SRD II”). The policy’s scope covers all management companies, alternative investment funds managers and investment firms located in countries that have implemented SRD II as of the date of this policy that fall under the definition of asset manager in Art. 2 (f) SRD II.

GAM Systematic funds (Cantab Capital Partners LLP (“CCP”)) pursues a systematic investment strategy across a variety of asset classes and markets globally with exposure to listed issuers directly only part of that strategy, therefore whilst CCP supports the objectives that underline the rationale for development of an Engagement Policy the nature of its investment strategy is such that its provisions are not materially relevant. CCP has therefore chosen not to comply with the requirement to produce an Engagement Policy at this time. Therefore the framework and rules set out in this policy to comply with the requirements of SRD II do not apply to CCP.

For Private Label Funds (“PLF”) GAM Investments acts as a third party fund solution provider and GAM (Luxembourg) S.A. specifically as the management company or as the alternative investment funds manager of those PLF domiciled in Luxembourg. GAM (Luxembourg) S.A. has in most cases delegated functions which may impact obligations under SRD II to the delegated investment manager of a PLF. In these cases the framework and rules set out in this policy to comply with the requirements of SRD II do not apply. Please see Appendix I for further information on the framework and rules applied to the Private Labelling business.

## Purpose

The purpose of the Engagement Policy is to set out the general framework for our engagement activities, with investee companies, and other stakeholders.

The policy will outline:

- The case for engagement
- Our commitment to engagement
- Purposeful engagement
- The engagement process
- Corporate governance and effective stewardship (Voting Rights)
- Reporting
- Conflicts of interest

## The case for engagement

At GAM, we are typically active long-term investors, however where our strategies seek to profit from short-term movements in assets we are typically short-term owners of assets and therefore will not seek to be engaged owners of these assets.

Engagement is fundamental to our active long-only investment processes and core to our stewardship activities. However, effective stewardship goes beyond engagement, extending to informed active voting at shareholder meetings, the monitoring of issuers (and service providers), holding them to account on material issues, and being transparent in relation to these activities. We have a responsibility to our clients to be concerned with sustainable, long-term value creation which in turn contributes to the long-term efficiency and effectiveness of the capital markets.

We engage with issuers continually across a diverse range of issues including but not limited to material ESG factors, important strategic, economic, financial and operational aspects of business models, as well as considering the broad effectiveness of public policy.

The range of the issues that we engage on including social and environmental impact, corporate governance, strategy and remuneration, amongst others, enables us to make better-informed investment decisions which we believe contributes positively to the sustainability of investee companies and society.

Our engagement activity builds our understanding of the economic, environmental, societal and industry specific systems and ensures we gain a wider contextual view of the various factors that impact the stability and health of an investee company.

Our investment teams will generally consider the materiality of an issue before deciding whether or not to engage. By applying a materiality standard, we prioritise our engagements, focusing on those issues that are most impactful on the investment case. This is a major driver of our understanding of the risk and reward profile of a particular business.

We have a range of engagement approaches, dependent on the nature of the issue, the company, market, and investment team. Our dominant strategy focuses on developing one-to-one dialogue with targeted investee companies and is conducted on an

on-going basis. We will typically meet with or interact with an investee (or potential investee) company on a regular basis. Our aim for these dialogues is for all engagement to be pragmatic, positive and effective. We would not, as a rule, engage with a company where we do not have clear objectives; this approach ensures that our engagement is focused and relevant.

Another effective engagement strategy involves collaboration with other investment management firms. This can be done through a collaborative engagement portal, for example the Principles for Responsible Investment, or through reaching out to like-minded investors ourselves. Whenever we engage collaboratively, we ensure it is appropriate, such that our interests are aligned and that the engagement serves the interests of our clients.

## Our commitment to engagement

Active asset management is synonymous with stewardship, i.e. voting and engagement is fundamental for us, as investors, to gain a deeper understanding of the material issues faced by investee companies. Equally, engagement allows investee companies to gain insight into our investment philosophy, goals, expectations and objectives.

Engagement, therefore, is a two-way process of continual communication, fostering improved understanding of organisational governance, strategy and operations, including strategic and operational outcomes.

From the point of view of the investee company, engagement with their equity and debt owners is integral to their continued success and sustainability. On that basis, when we engage:

- It is with a clear purpose and defined outcomes
- We are transparent about our objectives, expectations and timeframes for action
- We engage only on material factors, which may include ESG factors
- It is with a flexible, open-minded and responsive mind set
- It is to add value to stakeholders and the business

By focusing on quality communication, we believe that engagement can deliver:

- More equitable and sustainable social development, as it broadens the purview of the company and investors
- Improved quality in management and reporting of material issues
- Better management of operational and reputational risks
- Collective solutions to material issues
- Improved understanding of complex operating environments and systems, including market developments and cultural dynamics
- Learning and development opportunities improving business processes and increasing innovation
- Enhanced investment decisions by investors and also better capital allocation decisions by companies
- Increased trust between investors, investee companies and other stakeholders

## Purposeful engagement

By defining purpose, we strengthen our ability to measure the impact of our engagement activities. Whilst the scope of our engagement activity generally refers to:

- The subject matter of the engagement
- The parts of the organisation (regions, divisions, etc.) and associated activities, products and services being addressed
- The time frame for the engagement

The purpose of our engagement is generally connected to improving:

- Governance
- Management and strategy
- Incentive structures
- Capital allocation
- Corporate culture
- Interaction with society
- Ecological efficiency
- General alignment with long-term shareholder interests

Additionally, engagement may focus on matters such as: capital structure, strategy and operations, financial performance, and risks & opportunities; and can result in the altering of the investment thesis, in either positive or negative ways. In this sense we see engagement as having a significant impact on our conviction, in some cases engagement may lead to the exiting an investment.

Successful engagement, in our view, depends on properly defining the purpose, scope, and materiality. Materiality in particular is important in helping determine the most relevant risks and opportunities that need to be addressed for specific investment exposures. Materiality is broadly defined as the ability to influence the decisions, actions or behaviours of the organisation such that it affects the financial condition, operational performance or future prospects of the organisation.

By applying a materiality standard, we prioritise and focus on those issues that impact companies the most.

## The engagement process

Our engagement activity can generally be categorised into four stages:

**Plan** – planning is generally made up of: i) Profiling and identifying key stakeholders, ii) Determining the strategy, iii) Establishing boundaries for disclosure, iv) Drafting the engagement plan, and v) Establishing indicators and outputs to help determine success.

**Prepare** – some engagement activity may require additional resources, for example outside expertise, whilst other engagement activity may require a period of capacity building, for example building understanding, awareness and additional knowledge of a particular issue. Engagement is not without its risks, for example risks associated with compliance, operations, disclosure and strategy, amongst others. Being properly prepared for these risks contributes to a robust process and better outcomes.

**Implement** – this stage includes bringing potential parties together, setting out the details, initiating conversation, documenting and communicating outcomes and action plans.

Engagement activities are generally the responsibility of our investment teams but are often supported by our GRI team. The GRI team will often lead our collaborative engagement activities with other asset management firms, non-governmental organisations, industry bodies and other relevant institutions and organisations.

**Review, and Improve** – each engagement is an opportunity to evaluate our own and any delegated processes as well as to develop a follow-up action plan.

## Corporate Governance and Effective Stewardship (Voting Rights)

Effective corporate governance and stewardship is the result of shareholders taking their responsibilities seriously and discharging their duties in the best interests of stakeholders. It includes activities such as voting (see below), as well as monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration (amongst others, the Stewardship and Corporate Governance Codes in the UK are examples of the various regulatory and legal mechanisms across global markets that have sought to empower shareholders. In particular these initiatives have sought to provide shareholders with greater abilities, such as increased voting rights for example, to influence the company through voting on key strategic decisions at the Annual General Meeting).

Voting rights can be a powerful tool for shareholders to hold the company to account, and is a major component of our engagement strategy. We regard the ability to influence company decisions through voting a fundamental shareholder right and a means to exercise cooperate governance and stewardship. We exercise our rights in the same way as we do our fiduciary duty to act with reasonable care, skill and diligence, i.e. being aware of the material factors impacting a company and making informed decisions that are appropriate for the sustainability of the company and in our clients' best interests.

However effective engagement extends beyond the exercise of voting rights, entailing also the close monitoring of, and engagement with boards and management across various topics, including thematic issues across issuers such as climate change, or on specific, targeted matters relevant to a particular issuer.

## Reporting

We report our engagement activity annually as part of our regulatory obligations, where applicable. Additionally, we publish our voting activity on the responsible investment section of our website [www.gam.com](http://www.gam.com) on a monthly basis and produce annually an engagement reporting in accordance with Art. 3g (1) (b) SRD II.

In coming to our voting decisions we will utilise various research and data providers to come to our decision, these will include the use of a proxy voting service provider, which provides both research and also the mechanism by which we vote.

All the GAM policies are aligned with requirements set out in SRD II.

## Conflicts of interest

In accordance with regulatory requirements, we have implemented and maintain conflicts of interest policies designed to ensure that any conflicts of interest that may arise across GAM Investments – both between ourselves and our clients, and between clients – are identified and prevented or managed in the best interests of clients.

Where we are unable to prevent or manage a conflict of interest, we will make a disclosure to any impacted client or clients, to enable them to make an informed decision as to whether or not to enter into or continue with a particular service provided by us.

Our conflicts of interest policies, or summaries of these policies, are available to our clients and others who have legitimate grounds for reviewing them.

For more on stewardship please see our approach to stewardship on the responsible investment section of our website [www.gam.com](http://www.gam.com).

## Appendix I:

### Private Labelling Business at GAM (Luxembourg) S.A. and SRD II

SRD II includes transparency obligations for institutional investors and asset managers as defined by SRD II to the extent investments in equity instruments are made.

GAM (Luxembourg) S.A. (“GAM Luxembourg”) is very committed and well positioned to adhere to SRD II which aims to encourage long-term shareholder engagement. We at GAM Luxembourg have a long-standing focus on responsible investing, long-term sustainable performance and shareholder engagement for our clients. GAM Luxembourg uses its ownership rights to constructively engage with investee companies and to serve the long term interests of its clients.

GAM Luxembourg with respect to the Private Labelling business has in most cases delegated functions which may impact obligations under SRD II to the delegated investment manager of a PLF. GAM Luxembourg is currently updating the documents section on <https://funds.gam.com/> to include information for each PLF. Once this has been finalised, you will find information for each PLF on how SRD II has been implemented by a delegated PLF investment manager, where applicable, at the documents section on <https://funds.gam.com/>. This page will also contain any mandatory disclosures, where applicable.

