

JAPAN STEWARDSHIP STATEMENT 2021

Marketing material for professional investors



GAM
Investments

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INTRODUCTION

This statement highlights how we use the integration of ESG factors, company engagement, proxy voting and other strategic efforts to be good stewards of our clients' capital. It is structured in response to the eight principles of the revised version of the Japan Stewardship Code (the Code) issued by Japan's Financial Services Agency on 24 March 2020. The purpose of this statement is to demonstrate how GAM promotes sustainable growth of companies through investment and dialogue in line with the Code's principles.

GAM is a global active asset manager with an investing heritage going back over 35 years. We invest our clients' capital using active strategies across discretionary, systematic and specialist solutions. We operate in 14 countries and collectively manage CHF 124.5 billion in assets for our clients (as at 31 March 2021).

We take a holistic approach to responsible investment that includes a deep commitment to active investment and stewardship. We firmly believe that monitoring, assessing and, where necessary, actively engaging or withdrawing investments based on a company's management of environmental, social and governance (ESG) factors, are crucial to protect and enhance long-term, sustainable value.

Stewardship is a central pillar of our responsible investment strategy and enables us to build conviction in our investment thesis, enhances our understanding of how ESG factors impact company valuations, builds our awareness of risk and reward and increases our ability to identify and support sustainable businesses.

This report covers the investment management business and is prepared on behalf of GAM International Management Ltd (GIML).

STEWARDSHIP CODE PRINCIPLE 1

Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.

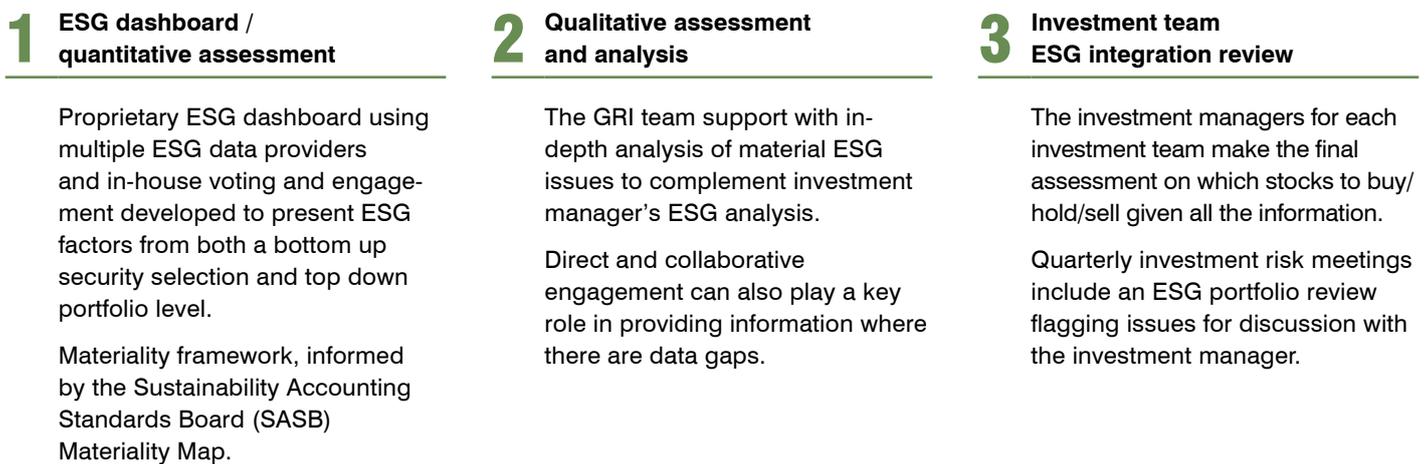
GAM’s purpose is to protect and enhance our clients’ financial future by attracting and empowering the brightest minds to provide investment leadership, innovation and sustainable thinking. By living our purpose every day, we believe that we can realise our vision of building the most respected specialist active investment manager and trusted solutions and services platform in the world. Our core values of integrity, collaboration and excellence are central to how we deliver on our purpose and strategy.

As active investors, we believe the inclusion of environmental, social and governance (ESG) factors, analysis and research in the investment process is integral to fundamental financial analysis. This includes identifying and evaluating sustainability risks and opportunities.

Our stewardship focuses on using our influence, through voting and engagement, to create long-term, sustainable value and better outcomes for our clients, society and the environment.

We have a clear policy framework, including **Responsible Investment, Engagement, Corporate Governance and Proxy Voting and Exclusion** policies. The Governance and Responsible Investment (GRI) team facilitates stewardship and the effective incorporation of material ESG and sustainability-related factors working closely with our investment teams. This team supports our investment teams, across our business, by providing ESG data, analysis, research, proxy voting and engagement support.

Figure 1: GAM ESG intergration framework



ESG scores

- Multi-level ESG scoring - identifies specific ESG issues;
- ESG pillars - focus on risk factors within each pillar to facilitate cross-sector analysis;
- Materiality maps identify key focus areas.

Controversies

- Controversy indicators - identify material incidents or events;
- Identification of non-compliance with global norms e.g.
 - UN Global Compact
 - Sustainable Development Goals

Climate change

- Analysis of CO2 and other greenhouse gases (GHG) - provides understanding of exposure and contribution to climate related risks;
- Carbon and GHG emissions tracked to produce stock and portfolio level carbon footprint.

Business involvement

- Identify exposure to potentially unsustainable activities, including cluster munitions, tobacco, alcohol, pornography, nuclear weapons.

ESG integration

We assess a range of ESG issues prior to, during and while exiting a holding. Environmental factors include those relating to the use and availability of natural resources, biodiversity and climate risk. Social factors include those relating to diversity and inclusion, health and safety, human rights and labour standards. Governance factors include consideration of Board structure and independence, alignment of remuneration, transparency of ownership and control and accounting. We also prioritise those issues related to the 10 principles of the UN Global Compact.

Voting

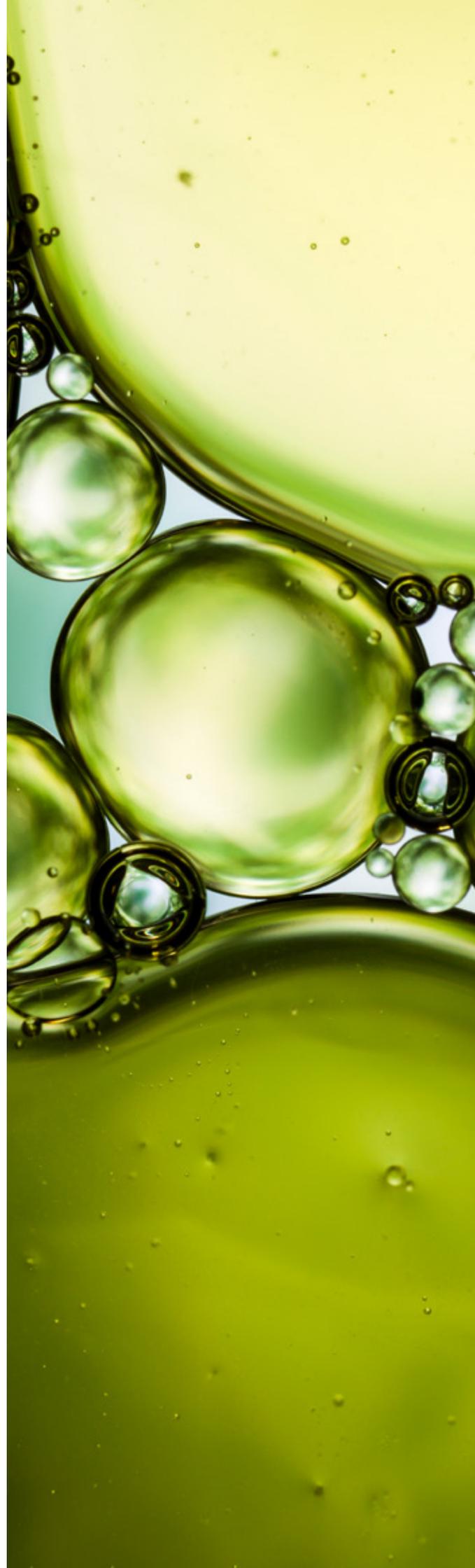
Voting is a fundamental part of active asset management. We have a fiduciary duty to our clients to act in their best interests, to protect and enhance their economic and financial wellbeing. We regard stewardship and the exercise of proxy voting rights as an essential component of this duty. GAM's Corporate Governance and Voting Principles outline our corporate governance expectations for companies, our approach on key voting issues and our procedures. We aim to vote on all shares for which we have voting authority. All our votes are monitored and reviewed by the GRI team before the meeting and, for our active holdings, approved by the relevant investment teams. We make voting decisions for all our funds publicly available on a monthly rolling basis on our website. For further information about our approach to proxy voting please refer to Principle 5 below.

Engagement

We view engagement as key to fulfilling our duty to be a good steward for our clients' assets. The engagement process gives us valuable insights that help improve our understanding of an organisation, business or country. Our investment managers and analysts meet regularly with company management and, where appropriate, the non-executive directors. Our dominant strategy focuses on developing one-to-one dialogue with targeted investee companies and is conducted on an ongoing basis. Our aim is for pragmatic, positive and productive dialogue around clear sustainability-related objectives. In the event of an unsuccessful engagement we will consider escalating our vote or divestment.

We collaborate with like-minded investors to improve the overall standards of a particular market or sector, or to amplify our voice. We participate in several collaborative initiatives including ClimateAction100+, Access to Medicine and Access to Nutrition. We engage on policy issues through the Principles for Responsible Investment (PRI) Global Policy Reference Group, the Institutional Investor Group on Climate Change (IIGCC) and the UK's Investment Association (IA).

Our approach to Engagement is further described in the Principle 4 statement below and in our [Engagement Policy](#).



STEWARDSHIP CODE PRINCIPLE 2

Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

GAM has a publicly available [Conflicts of Interest Policy](#), which states that it is essential for GAM to be able to identify and manage conflicts of interest fairly and appropriately, and to prevent conflicts of interest from adversely affecting the interests of clients. The Policy sets out the framework we use to ensure that appropriate steps are taken by GAM and its employees to identify, prevent, manage and record conflicts of interest. All employees are required to adhere to the Policy - on which they receive annual training - and failure to do so may result in disciplinary action against the individual concerned, including termination of employment.

The Policy is reviewed annually by the Global Head of Compliance. The Global Conflicts of Interest Committee (which is independent of GAM's business divisions, chaired by the Chief Operating Officer and reports to the Group Management Board) is responsible for ensuring that a consistent and effective process for identifying, preventing, managing and reporting conflicts of interest is implemented and maintained both globally and at a local level.

Activity

Key potential or perceived conflicts of interest related to stewardship activities that have been identified include:

- where a company selected for engagement is a client of GAM or is an associate of a client of GAM
- where GAM has voting rights in a company that is a client of GAM or is an associate of a client of GAM
- where GAM has voting rights in a company that has a significant shareholding in GAM
- where a GAM portfolio manager or a person connected to the portfolio manager (eg a spouse) has an outside activity associated with a company held in a client investment portfolio over which the portfolio manager may exercise voting rights
- where in the course of legitimate investment activities, a GAM portfolio manager has gained inside information in relation to a company for which the portfolio manager may exercise voting rights on behalf of a client
- where a GAM portfolio manager has a personal relationship with an employee or a non-executive director of a company over which the portfolio manager may exercise voting rights.

In any such circumstances, GAM will take steps in accordance with the Conflicts of Interest Policy and the procedures set out in the Corporate Governance and Voting Principles to advance clients' best interests in relation to companies in which GAM invests on behalf of clients. In accordance with our governance structure for relevant decision-making and oversight of voting decisions, this may require the Head of Discretionary Investments together with the Global Head of Sustainable and Impact Investment, to make the vote decision.

For more information, please refer to our Global [Conflicts of Interest Policy](#), our [Engagement Policy](#) and our [Corporate Governance and Voting Principles](#).

STEWARDSHIP CODE PRINCIPLE 3

Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

Monitoring of investee companies forms part of our ESG integration process described in Principle 1. It is a continuous process which forms part of each of our investment teams' strategy. We have established an overarching framework outlining how we continuously integrate ESG factors into our investment process. This process includes three inputs: 1) Quantitative Assessment, 2) Qualitative Analysis, and 3) ESG integration review as appropriate to each investment strategy. To make this process as efficient and consistent as possible, we rely on a wide range of ESG data sources which are used as an input in our quantitative assessment.

Data sources

We use multiple independent ESG data and research providers, third-party research, recognised NGO sources, and public data from organisations such as the World Bank to support our fundamental analysis. Direct and collaborative engagement can also play a key role in providing information where there are data gaps. Our proprietary ESG dashboard provides ESG data, trends and research to all active managers.

We recognise that there are limitations in the quality, comparability and availability of ESG data and encourage improved disclosure through engagement with data providers, companies and support for regulation supporting improved disclosure on ESG issues. We review our ESG data providers annually and review new data or research sources on an ongoing basis.

Our GRI team utilises several resources to assess and ensure material ESG risks are considered in line with the needs of our clients. To identify which sustainability issues are most likely to affect the financial condition or operating performance of companies within an industry, we consider a materiality framework, informed by the Sustainability Accounting Standards Board (SASB) Materiality Map. From 2021, our Responsible Investment Committee also provides a forum to share ideas and thinking to further support ESG integration and stewardship across the investment teams.

Implementation across asset classes

We specialise in active investing, and therefore the specific approach to ESG integration used by each investment strategy will depend on the investment objectives, philosophy, asset class and investment timeframe. The GRI team works together with investment managers to support and improve our integration approach within the investment strategies.

We apply our approach across asset classes and this can result in different emphasis and content. For example, in equities and corporate credit, our ESG integration tends to focus more on the opportunity side, and we often engage directly; with sovereign credit, we tend to focus on risk, and our engagement is mostly through investor forums and industry bodies.

Process monitoring

Each investment team participates in quarterly investment risk meetings which include a review of the investment team's approach to monitoring portfolio companies, including ESG considerations, and to performing stewardship responsibilities. These meetings, conducted by our Head of Discretionary Investment and our Investment Risk teams, with input from our GRI team where appropriate, include an ESG portfolio review, which identifies any companies with poor ESG or carbon scores or controversies, for discussion with the investment manager.

STEWARDSHIP CODE PRINCIPLE 4

Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

At GAM, we consider engagement as a critical component of allocating, managing and overseeing capital. It is an important tool available to us as investors to create long-term value for clients. GAM's publicly disclosed [Engagement policy](#) recognises the importance of engagement and provides further details on our approach to investee company dialogue.

The tools we use to engage with an organisation will depend on the nature of the issue, the company, market, local regulatory requirements, and investment team. Our dominant approach focuses on developing a one-to-one dialogue with targeted investee companies, which can be a one-off or multi-year. We aspire to meet with or interact with an investee (or potential investee) company on a regular basis. We conduct our engagements in a pragmatic, diplomatic and positive manner, seeking solutions and appropriate specific actions from businesses. We are unlikely to engage a company where we do not have clear objectives at the outset.

Our engagement method will often involve questioning a company's business strategy, business model and economic and business outlook; we will also often investigate specific actions undertaken by investee companies. Where deemed necessary, we may focus on individual investee companies and escalate potential discussions in additional meetings, with senior management, including the non-executive board. If investee companies do not progress on matters that we believe are in our clients' best interest, we may consider further escalation, including but not limited to voting against specific resolutions at the AGM, reducing our holdings, or exiting an investment. The converse is also true for ex-ante investment in a company.

Our approach may include collaboration with other shareholders or asset managers or through the UN Principles for Responsible Investment and/or other active membership networks and associations.

Consistency with Investment strategies

We find that regular communication and interaction between both parties (us, as investors, and the investee company), builds investee company understanding of our investment philosophy, goals, expectations and objectives. From the investee company perspective, engagement with their equity and debt owners is integral to their continued success and sustainability.

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

- more equitable and sustainable development
- improved quality in management and reporting of material issues
- better management of operational and reputational risks
- collective solutions to substantial issues
- improved understanding of complex operating environments and systems, including market developments and cultural dynamics
- learning and development opportunities for improving business processes and increasing innovation
- enhanced investment decisions by investors and better capital allocation decisions by companies
- increased trust between investors, investee companies and other stakeholders.

Collaborative engagement

Given the systems-wide nature of these challenges, we actively look to work with industry initiatives and other stakeholders to promote continued improvement of the functioning of financial markets. We recognise that many environmental and social issues, such as climate, nutrition challenges, access to medicines or safety standards, are complex, global issues where one institution acting alone cannot make as much progress as engaging collectively. We therefore recognise that we must work collaboratively with like-minded investors if we are to positively influence the behaviour of issuers.

We are encouraged by some of the outcomes on collaborations such as Climate Action 100+, where half of engaged companies have now committed to reach net-zero emissions by 2050. We will continue to engage on systemic issues both directly and collaboratively with companies and increasingly on policy advocacy through industry groups. We joined IIGCC and UKSIF in 2020, in part to increase this aspect of our stewardship. Figure 2 below shows the full list of collaborative initiatives we support.

Figure 2: Collaborative initiatives we support

Initiative / Partner	Involvement	Signed-up
Access to medicine	Supporter	Q1 18
Access to nutrition	Supporter	Q1 18
ACGA	Supporter	Q4 20
CDP	Signatory	Q2 21
Climate Action 100+	Signatory	Q1 18
EuroSIF (European Sustainable Investment Forum)	Supporter	Q4 20
ICGN	Supporter	Q3 20
IIGCC	Supporter	Q4 20
Investment Association – Sustainable and Responsible Investment Committee	Active	Q1 18
PRI	Signatory	Q4 14
SASB	Supporter	Q2 20
SSF (Swiss Sustainable Finance)	Supporter	Q4 19
TCFD	Supporter	Q1 21
UKSIF (UK Sustainable Investment Forum)	Supporter	Q4 20



STEWARDSHIP CODE PRINCIPLE 5

Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.

We believe that exercising our voting rights and responsibilities is an essential part of active ownership. We have a fiduciary duty to our clients to act in their best interest, to protect and enhance their economic and financial wellbeing. We regard stewardship and the exercise of proxy voting rights as an essential component of this duty.

Our publicly disclosed [Proxy Voting and Corporate Governance Principles](#) outlines our corporate governance expectations for companies and our approach on key voting issues. The objective of these Principles is to promote value creation through corporate best practice and mitigate corporate governance-related risks in our investee companies.

We support global standards of good governance, including the [International Corporate Governance Network \(ICGN\) Global Governance Principles](#), the [UK Corporate Governance Code](#) and the [G20/OECD Principles of Corporate Governance](#).

Our approach to corporate governance derives from our belief that companies that conduct their business responsibly with good corporate governance, high standards of integrity and a sustainable business model deliver better long-term results to stakeholders, including shareholders.

We take a principles-based approach to our voting. We recognise that corporate governance codes and practices differ between jurisdictions and we therefore take what we consider to be an appropriate approach within the broader context.

We implement the guidance from the Proxy Voting and Corporate Governance Principles while accounting for both global and market-specific corporate governance best practices and regulatory and statutory norms and standards, national and international laws, treaties, codes and policies, in coming to our voting decision.

Disclosure

We provide an overview of our voting activity in our annual report. We disclose our voting records for each investee company held in our funds on an individual agenda item basis on our [website](#). We also produce internal reports on each fund's proxy voting activity on a semi-annual basis to review and monitor our proxy voting decisions. Bespoke reports are provided to clients on request.

Proxy advisors

We retain the services of a proxy advisor (Institutional Shareholder Services (ISS)) to assist in implementing and administering proxy voting. ISS provides written analysis for each company resolution based on our Corporate Governance and Proxy Voting Principles, but the ultimate voting decision is made by GAM.

Voting decisions and escalation

We aim to vote on all shares for which we have voting authority. The GRI team is responsible for reviewing all shareholder meetings and making voting recommendations. For our active equity holdings, these recommendations are reviewed and approved by the relevant investment manager. If necessary, a decision may be escalated to the Head of Discretionary Investment and Global Head of Sustainable and Impact Investment. Our general policy is to avoid splitting our votes.

STEWARDSHIP CODE PRINCIPLE 6

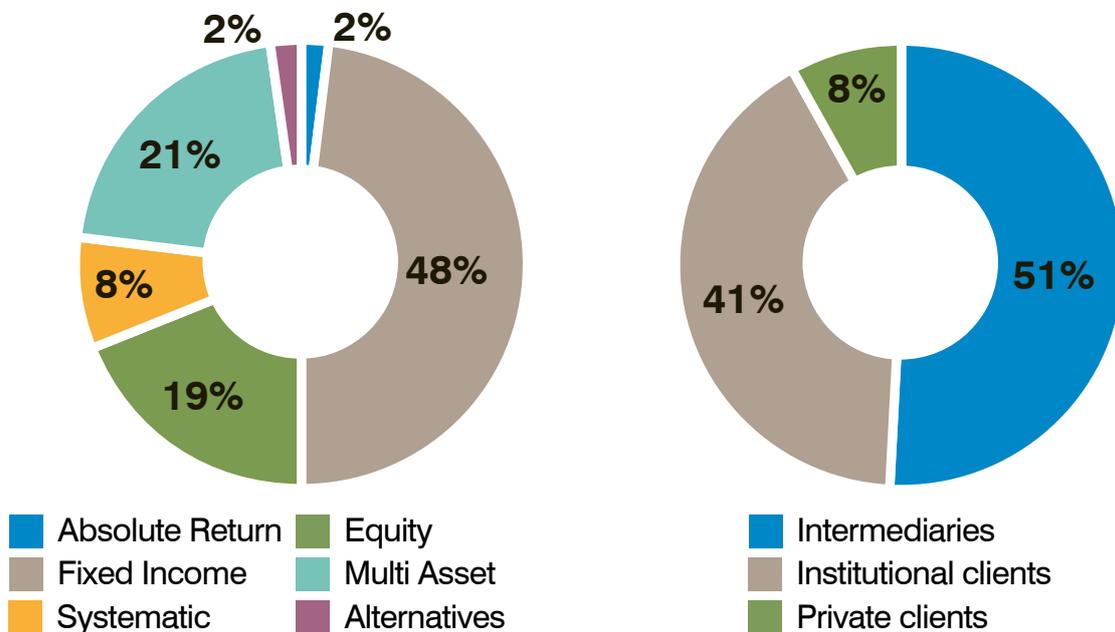
Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

As shown in Figure 3, our client base is predominately a mix of institutional clients (41%) and intermediaries ie a strong network of distribution partners, including financial intermediaries and advisers whose clients represent 51% of our investment management assets. A further 8% are private clients. Of our assets under management, the largest proportion is in fixed income (48%), but we have strong equity, multi-asset and systematic capabilities.

We annually report our stewardship and engagement activities via this Stewardship Report, through an update on our ESG activities in our Annual Report and, from 2021, in a standalone Sustainability Report. We publish our voting activity on our website, updated monthly, and we provide clients with detailed stewardship information on request.

We believe that two-way communication with our clients, both seeking their views and reporting to them, is a vital part of our stewardship activity.

Figure 3: Investment management assets by capability and client segment



STEWARDSHIP CODE PRINCIPLE 7

To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.

Governance

Ultimate responsibility for sustainability at our firm is held by our Board, which is composed of seven directors, all of whom are non-executive and considered fully independent.

As Global Head of Sustainable and Impact Investment, Stephanie Maier is responsible for leading GAM’s sustainable investment strategy, leading our GRI team, strengthening GAM’s range of sustainable investment strategies for clients and driving our efforts to be at the leading edge of best practice.

Sustainability Committee

The Sustainability Committee, chaired by Stephanie Maier, reports on our progress to the Group Management Board and the Board of Directors on a quarterly basis. Non-executive director Katia Coudray is responsible for championing sustainability at the Board level.

Responsible Investment Committee

The Responsible Investment Committee (RIC) (formally the Responsible Investment Advisory Board) is one of two supporting committees to the Sustainability Committee. The RIC is chaired by the Global Head of Sustainable and Impact Investment and is sponsored by the Head of Discretionary Investment and the Head of GAM Systematic and GAM Investment Solutions. It also comprises senior investment managers from across asset classes, and senior members of our GRI team. The RIC responsibilities include:

- Reviewing and implementing our responsible investment policy framework
- Supporting ESG integration
- Supporting engagement initiatives
- Ensuring knowledge is shared across the investment function
- Monitoring progress with a focus on innovation and continual improvement.

Figure 4: Governance for sustainability



GRI Team

Stephanie Maier provides oversight to our GRI team, a dedicated resource that works with our investment teams on stewardship and ESG research across our whole portfolio. The GRI team is independent of investment teams and reports to the Global Head of Sustainable and Impact Investment. Diversity and inclusion are critical to our success, and we believe that by fostering an environment that embraces diverse perspectives we become better investors. Our GRI team represents a range of academic disciplines, age and gender.

The GRI team's principal functions are:

- Guide GAM's overall approach to systemic sustainability risks, such as climate change
- Support investment teams with ESG related analysis and research
- Conduct and manage proxy voting
- Support investment team with engagement on material sustainability issues.

Training

Training and knowledge sharing is key to continuous improvement. This takes the form of both formal external qualifications such as the CFA UK Certificate in ESG Investing and internal knowledge sharing and micro-seminars. We have a group-wide learning management system that provides a centralised repository for all learning and development needs. This includes four dedicated modules from Swiss Sustainable Finance (SSF). We launched LinkedIn Learning, a new e-learning resource for all employees with a digital library of more than 6,000 courses.

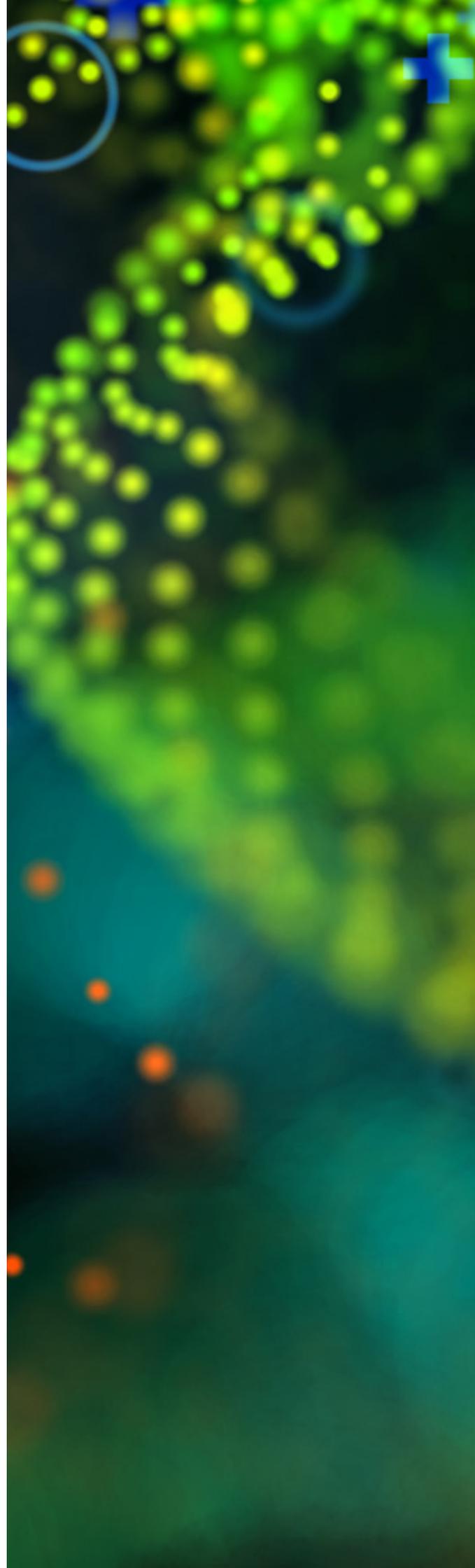
As part of their annual objectives, all employees are required to have a minimum of 4 hours of ESG-related training. We will be reviewing an appropriate externally accredited course for our investment and distribution functions for more specialist knowledge and general courses and internal micro-seminars for foundational knowledge across the organisation.

Collaborative engagement

We recognise that many environmental and social issues, such as climate, nutrition challenges, access to medicines or safety standards, are complex, global issues where one institution acting alone cannot make as much progress as engaging collectively. We therefore recognise that we must work collaboratively with like-minded investors if we are to positively influence the behaviour of issuers. Further details regarding our approach to collective engagement can be found in Principle 4 above.

Continuous improvement

We are committed to continuously evaluate the effectiveness of our stewardship activities and to improve our practices on an ongoing basis. These efforts and our progress are disclosed in GAM's Stewardship Report which is published annually on our website.



STEWARDSHIP CODE PRINCIPLE 8

Service providers for institutional investors should endeavour to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfil their stewardship responsibilities.

GAM's principal objective when considering how to vote is to ensure that we fulfil our fiduciary duty by acting in our clients' interests. Our Conflicts of Interest Policy addresses in detail our approach to conflict of interests with Third Party Service Providers. We have implemented processes to address potential conflicts of interest and prevent these from influencing our proxy voting decisions. Refer to Principle 2 above for more information.

We retain the services of Institutional Shareholder Services (ISS) to assist in implementing and administering proxy voting. ISS provides written analysis and custom research for each company resolution based on our Corporate Governance and Voting Principles. The GRI team is reviewing each shareholder meeting and relevant ISS custom research before making any voting recommendation or instruction (more information in Principle 5 above). Due to differences in corporate governance standards and practices globally, we have developed broad geographic and regional guidelines supporting our Principles to account for market-specific corporate governance standards.

We also recognise that appropriate corporate governance practices can differ according to the company structure, size and nature of operations. We maintain a pragmatic approach in the application of these standards and best practice. ISS custom research is reviewed and updated on an annual basis to take into account the changes in our voting approach and in market practices. We maintain an open and continuous dialogue with ISS to ensure their research aligns with our voting principles and guidelines.

In providing proxy recommendations, ISS mainly uses information produced by companies themselves, including, but not limited to, proxy circulars, annual Yuho filings, and corporate press releases. ISS engages with issuers, where necessary, to better understand company disclosures including agenda items and their background. More information can be found on the ISS [website](#).

For more information, please visit [GAM.com](https://www.gam.com)

Important legal information:

The information in this document is given for information purposes only and does not qualify as investment advice. Opinions and assessments contained in this document may change and reflect the point of view of GAM in the current economic environment. No liability shall be accepted for the accuracy and completeness of the information. Past performance is no indicator for the current or future development.