

## **SECTION 172 STATEMENT – GAM (U.K.) Limited**

Section 172 of the Companies Act 2006 requires board directors to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

This section 172 statement details how the Board has discharged its duties under section 172 as well as key decisions taken to promote the success of the Company in alignment with GAM Group's strategic objectives of efficiency, transparency and growth. The Board has fulfilled these duties partly by delegating certain decisions to senior management and strengthening its oversight over delegated decisions.

### **The Company's stakeholders**

The Board has considered the impact of its decisions on the key stakeholders of the Company. The Board regards the Company's key stakeholders to be:

- its parent company GAM Holding AG;
- its wholly owned regulated and non-regulated subsidiaries;
- its employees;
- its suppliers;
- the wider community; and
- the Financial Conduct Authority.

### **Engagement with key stakeholders**

- **Parent company and the UK Group entities:** The Company provides administration and central services functions to the UK Group (being the Company and its direct and indirect subsidiaries). The Company is the holding entity of all the UK Group entities and the main employer within the UK Group, including the principal employer of the GAM (U.K.) Limited Pension and Life Assurance Scheme (the "Scheme"). In 2020, the Board took the following decisions to promote the long-term success of the Company and the UK Group:
  - Regulatory capital: The Board has worked closely with its parent company to design a Group capital framework clearly setting out the process for reviewing and approving capital injections into the UK Group.
  - Protecting the Scheme: In response to the financial issues resulting from the liquidation of the Absolute Return Funds and the current financial climate given the Covid-19 pandemic, the Company investigated ways to minimise cash outflows from the UK Group while giving additional funding and security to the Scheme. The Board recognised the need to act prudently to strengthen the consolidated balance sheet while protecting the liquidity and

regulatory capital position of the UK Group and asked the trustees of the Scheme to consider entering into an asset backed contribution arrangement (the "ABC") to help manage the Scheme's liabilities and at the same time assist the Company in its future cash flow management. The ABC was approved by the Board in December 2020 and completed in February 2021;

- Risk appetite statements: The Board has carried out an in-depth review of its risk appetite statements to ensure continued alignment with the Group's risk appetite, enhance the quality of the risk reports discussed by the Board, and help the Company better manage and understand its risk exposure and make informed decisions.
- Board charter: The Board has reviewed and discussed its board charter and reserved matters. Amendments aimed at enhancing the Board's effectiveness are being finalised.
- **Employees:** GAM's response to the pandemic was swift and decisive, with the health and well-being of our employees and clients uppermost in our minds.
  - The Board has continued to monitor employee satisfaction by discussing the findings of pulse employee surveys carried out in 2020 as well as the effectiveness and resilience of working from home arrangements.
  - The Board has carefully considered the impact of the recent restructuring and efficiency programme on employee morale and business operations and has actively engaged with senior management to discuss and address any areas of perceived risk.
  - Employee compensation: GAM's policy is to align compensation with the financial performance of the firm. In order to recognise and reward employees and ensure that employees are aligned to clients and shareholders while considering the financial position of GAM, employees were awarded their bonus as a mix of shares and options. The purpose of the mix is to provide the potential for some wealth creation and a potential upside in the longer term.
  - Disability: GAM offers equal employment and advancement opportunities for all individuals regardless of age, race, ethnicity, gender, sexuality, disability, religion or other characteristics.
- **Suppliers:** GAM has a wide and diverse supply chain and is committed to ensuring its suppliers uphold fair working practices and minimise their impact on the environment.
  - The Board has reviewed the Group outsourcing framework and overseen an extensive review of its material outsourced relationships to enable the Board to better monitor areas of risk. The material outsourcing list was regularly reviewed and discussed during the year.
  - The Board has reviewed and updated its Modern Slavery Statement. As the Company's trading subsidiary entities are regulated investment management entities, primarily operating in major financial centres, and given the nature of the services procured from suppliers, it was found that the risk of Modern Slavery arising within their businesses, or within the businesses of their suppliers, was limited.
- **Parent Company and Group Governance:** The Board continues to support its parent company by overseeing the implementation of the strategy, purpose and values of the Company and satisfying itself that these are aligned with the strategy and direction set by the Group.

## **SECTION 172 STATEMENT – GAM International Management Limited**

Section 172 of the Companies Act 2006 requires board directors to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

This section 172 statement details how the Board has discharged its duties under section 172 as well as key decisions taken to promote the success of the Company in alignment with GAM Group's strategic objectives of efficiency, transparency and growth. The Board has fulfilled these duties partly by delegating certain decisions to senior management and strengthening its oversight over delegated decisions.

### **The Company's stakeholders**

The Board has considered the impact of its decisions on the key stakeholders of the Company. The Board regards the Company's key stakeholders to be:

- its clients;
- its employees;
- the wider community;
- its suppliers;
- the Financial Conduct Authority its regulator;
- its parent company GAM Holding AG; and
- the GAM entities to which it provides investment management services.

The Board has continued to enhance its communication with its stakeholders and has maintained an open, transparent and co-operative relationship with the FCA.

### **Engagement with key stakeholders**

- **Clients:** The Company's Investment Management teams have regular contact with clients. In 2020, the Board took the following decisions to improve client outcomes:
  - Internal and External investment management oversight framework: The Company depends, to varying degrees, on a number of third-party investment managers. The Board approved an enhanced investment management oversight framework, including additional performance indicators and processes for external managers, in order to strengthen controls, minimise risks and deliver greater value to our clients.
  - Investment Manager Change: Following an internal review of the value and performance of the fund as well as its investment strategy, the Board approved the replacement of the investment management team of its North American Growth fund to improve client outcome.

- Business divestment: The Board approved the decision to divest from the Company's Real Estate Debt business in order to simplify GAM's legal structures, reduce complexity and provide further opportunities for operational synergies.
  - Significant technological upgrades: The Board has continued to oversee the implementation of SimCorp, a fully integrated front-to-back solution which will enhance client experience, improve transparency, increase operating effectiveness and generate efficiencies.
- **Employees:** GAM's response to the pandemic was swift and decisive, with the health and well-being of our employees and clients uppermost in our minds. GAM has also strengthened its group conflicts of interest framework to identify and manage potential conflicts of interest between its stakeholders and prevent conflicts of interest from adversely affecting the interests of clients.
- The Board has continued to monitor culture and employee satisfaction by discussing the findings of the pulse employee surveys carried out in 2020 as well as the effectiveness and resilience of working from home arrangements.
  - The Board has carefully considered the impact of the restructuring and efficiency programme on employee morale and business operations and has actively engaged with senior management to discuss and address any area of perceived risk.
  - The Board has received regular updates on culture and conduct and overseen management's efforts to engage with staff at home during the Covid-19 pandemic to identify potential sources of conduct breaches in their individual environments. The Board has received regular assurances on the operational arrangements established to minimise conduct risks.
  - The Board has received regular updates on the implementation of the group conflicts of interest framework. The Board has also commissioned more in-depth reviews of conflicts of interest in a particular function or business area when deemed appropriate and satisfied itself that action was being taken to strengthen the framework.
- **Parent Company and Group Governance:** The Board continues to support its parent company by overseeing the implementation of the strategy, purpose and values of the Company and satisfying itself that these are aligned with the strategy and direction set by the Group.
- Regulatory capital: The Board has worked closely with its parent company to strengthen the capital framework and position of the Company and the UK Group. The Board also approved a major review of the ICAAP process as well as GAM's ICAAP document.
  - Risk appetite statements: The Board has carried out an in-depth review of its risk appetite statements to ensure continued alignment with the Group's risk appetite, enhance the quality of the risk reports discussed by the Board, and help the Company better manage and understand its risk exposure and make informed decisions.
  - Board charter: The Board has reviewed and discussed its board charter and reserved matters. Amendments aimed at enhancing the Board's effectiveness are being finalised.

- **The wider community and sustainability:** The Board has added sustainability as a standing agenda item to support GAM Group's aspiration to be best in class in our approach to sustainability and becoming a certified B Corporation. In 2021, the Board will be actively involved in overseeing the effective roll-out of the proprietary ESG dashboard to the Company's investment managers.
- **Suppliers:** GAM has a wide and diverse supply chain and is committed to ensuring its suppliers uphold fair working practices and minimise their impact on the environment.
  - The Board has reviewed the Group outsourcing framework and overseen an extensive review of its material outsourced relationships to enable the Board to better monitor areas of risk. The material outsourcing list was regularly reviewed and discussed during the year.
  - The Board has reviewed and updated its Modern Slavery Statement. As the Company's trading subsidiary entities are regulated investment management entities, primarily operating in major financial centres, and given the nature of the services procured from suppliers, it was found that the risk of Modern Slavery arising within their businesses, or within the businesses of their suppliers, was limited.
- **Meeting regulatory expectation:** The Board has continued to maintain an open, transparent and co-operative relationship with the FCA. In addition, the Company's response to the Dear CEO letters published by the FCA in 2020 has been rigorously discussed and assessed by the Board and a programme of action agreed with senior management and progress communicated back to the Board. The Board considered the resilience of GAM's operation during the pandemic to ensure continued compliance with regulatory expectations. The Board has also assessed GAM's response to the pandemic in relation to its clients and employees to ensure that the Company continued to meet regulatory expectations.
- **GAM Entities:** The Company provides investment management and advisory services to affiliated GAM entities. In 2020 the Board strengthened Group wide accountability by enhancing its processes for reporting to affiliates as well as the quality of the information provided to affiliates. The decision to replace one of its investment managers was clearly communicated to the relevant affiliated company.