Effective risk management is fundamental to all stakeholders of the Group, including shareholders, clients and employees. As a regulated entity we must adhere not only to the minimum regulatory requirements, but equally to best industry practice. GAM regards effective risk management as central to the successful achievement of its business objectives and has embedded it at different levels throughout the organisation.

The Group's approach to risk management and control is a structured process that identifies, measures, reports, mitigates and controls risk. It is built on the three lines of defence model, supported by formal governance processes, individual responsibility and senior management oversight. Risk management is not the responsibility of one single individual or department, but is the duty of all employees within the Group.

Line management forms our first line of defence in risk management. The various risk control and compliance oversight functions established by management are the second line, and independent assurance provided by our internal and external auditors represents our third line of defence.

The three lines of defence model
First line of defence

Each employee throughout the organisation is charged with protecting client interests and the organisation in their respective areas and maintaining an effective control environment. Accordingly, our investment teams have primary responsibility for the level of investment risk in their portfolios, while operating within the risk monitoring and oversight framework determined by the Group.

Second line of defence

Continuous oversight and monitoring of the design and execution of controls is carried out at this level. The teams listed below are among the key functions involved in providing risk control and compliance oversight, which are outlined along with a short description of their main responsibilities. All teams have independent reporting lines, providing objective oversight of the efficiency and effectiveness of how risks are managed across the organisation.

• **Investment risk analysis/analytics teams**
  These teams review and analyse investment risk and performance. They produce risk reports for clients and regulators as required, and deliver bespoke, in-depth risk analytics to assist in the investment decision-making process.

• **Investment controlling teams**
  These teams monitor our investment teams’ adherence to applicable legal and regulatory, prospectus, contractual and internal investment restrictions. They escalate established investment restriction breaches, enforce and control the timely remedy of such breaches and report relevant breaches to applicable boards, external auditors and applicable regulators, if required.

• **Operational risk teams**
  These teams perform reviews of business processes and operational risk and control assessments, monitor business processes using key risk and performance indicators, test controls and analyse operational incidents. Thereby, they maintain an active dialogue with the business process owners and steer the review of business processes.

• **Local risk teams**
  These teams oversee and monitor both financial and non-financial agency and proprietary risks. They identify key risks within business units, assess the effectiveness of controls in place and provide support with designing solutions to mitigate key sensitive areas.

• **Legal and compliance teams**
  These teams monitor best execution, fair allocation, interact with investment controlling teams in case of investment restriction breaches, and oversee and monitor other legal and regulatory risks.

Third line of defence/control

At this level, the internal audit function provides independent, objective assurance and advisory services to the Group’s Board of Directors, the audit committee and the Group Management Board (GMB). It carries out operational and system audits in accordance with a risk-based internal audit plan and assists the organisation in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Additionally, the external auditor carries out an additional layer of independent, objective assurance in accordance with regulatory and industry best practice.

Summary

GAM’s risk management framework defines our fundamental approach to risk and guides the management and control of all types of risks at different levels within the organisation. It also serves to ensure that the Group’s aggregate risk exposure is commensurate with its risk capacity and risk appetite, taking into consideration our earnings capacity and capital position.

GAM’s risk landscape is dynamic and continually evolves as the Group’s business mix and the market environment change. The identification of existing and potentially newly emerging risks is a continuous task, involving all management levels within the Group and all control functions, as well as the GMB and the Board of Directors.

For further details on GAM’s risk management, please see GAM Holding AG’s Annual Report 2017, pages 36–41, which is available on GAM’s website:

www.gam.com/annualreport2017

For more information, please visit www.gam.com

Important legal information

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