STEWARDSHIP REPORT 2022

April 2023

GAM Investments

CEO'S FOREWORD

FOREWORD

Peter Sanderson
Group Chief
Executive Officer

Markets had a challenging landscape to grapple with last year, from war in Ukraine to rocketing inflation and record-breaking temperatures across Europe. At GAM we reflect that this turbulence made our unwavering commitment to factor in social and environmental considerations, to be active owners and to focus on long-term sustainability all the more important.

Our commitment to active ownership, for example, is helping equip the companies we invest in with the necessary insight and foresight to prosper in a turbulent environment. Our portfolio managers conducted over 800 direct engagements with companies in 2022, covering ESG issues from AI to human rights and gender diversity. Issues that create both enormous risk, and wide opportunity depending on how well they are managed.

We also voted on over 12,000 resolutions in 2022, an activity that not only helps push companies forward on a range of ESG issues, but also deepens our understanding of our holdings.

Our stewardship helps protect our clients' investments and drives a broader positive impact in line with our responsible investment commitments. It is a group wide effort and every employee received on average over 4 hours of ESG-related training last year.

We are proud to be accepted a signatory to the UK Stewardship Code and that last year, our Stewardship Report was shortlisted by the International Corporate Governance Network (ICGN). Our methodical and detailed approach to impact reporting was also recognised by winning the Environmental Finance IMPACT Award for our Climate Bond Strategy.

In 2022 we continued to develop tools to support ESG integration and stewardship, building our ESG dashboard on the Bloomberg platform and developing an assessment framework for net zero alignment.

The systemic and interdependent risks – climate change and nature loss - were key focuses of our stewardship activities in 2022. In March, we joined the Finance Sector Deforestation Pledge, committing to using best efforts to eliminate agricultural commodity-driven deforestation from our portfolios by 2025. We also submitted our interim net zero targets, as part of our commitment to the Net Zero Asset Managers (NZAM) initiative and joined the Powering Past Coal Alliance, working to accelerate the phase-out of coal.

Collaboration is a key plank of our approach to stewardship and last year we continued to work with like-minded investors on a broad range of initiatives. This included continuing to steer the influential Climate Action 100+ initiative, and participating in CDP's Non-Disclosure and Science-Based Targets (SBTi) engagement initiatives.

In 2023, we will continue to embed stewardship and sustainability into our investment process, as we strive to deliver for our clients and have a positive impact on our environment and society.

Yours sincerely

Peter Sanderson
Group Chief Executive Officer

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INTRODUCTION

Overview of GAM

We are an active, independent global asset manager that thinks beyond the obvious to deliver distinctive and differentiated investment solutions for our clients across our three core businesses: Investment Management, Wealth Management and Fund Management Services.

Our purpose is to protect and enhance our clients' financial future. We attract and empower the brightest minds to provide investment leadership, innovation and strive for a positive impact on society and the environment.

Servicing institutions, financial intermediaries, and private investors, we manage CHF 23.2 billion of assets as of 31 December 2022.

Headquartered in Zurich, GAM Holding AG is listed on the SIX Swiss Exchange with the symbol 'GAM' and we employ 541 people across 14 countries with investment centres in London, Cambridge, Zurich, Hong Kong, New York and Milan. Our operational centres are in Dublin, Luxembourg and London.

Scope of report

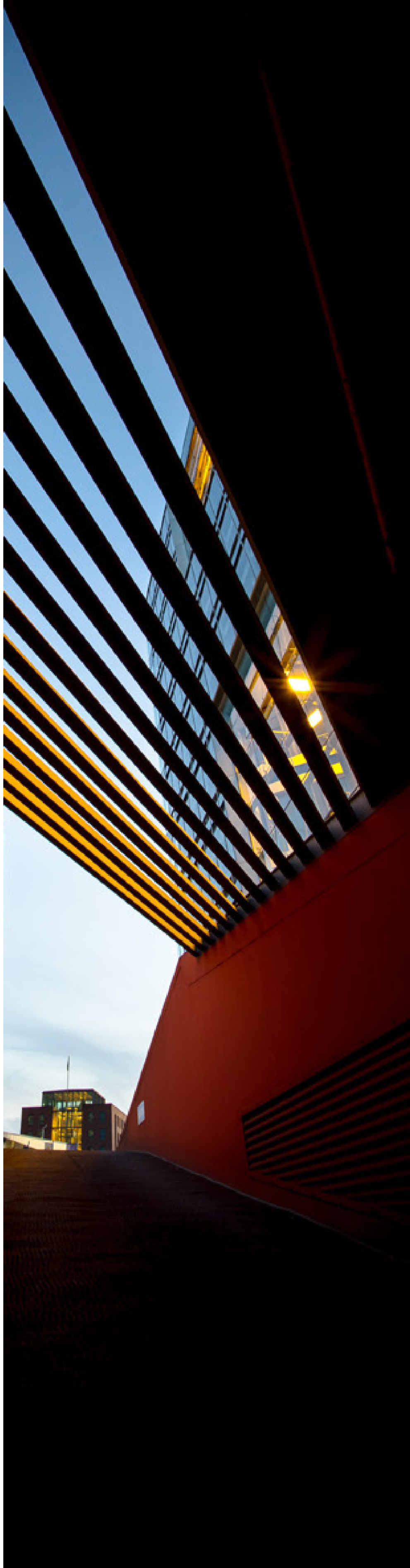
This is our third stand-alone Stewardship Report, aligned with the **2020 UK Stewardship Code principles**. We are pleased that our stewardship reporting in 2021 and 2022 met the expected standard of reporting to remain a signatory to the UK Stewardship Code.

This report aims to highlight how we deliver across the 12 principles and the improvements we have made over 2022, as well as the opportunities and challenges in delivering on these principles for our clients. It is also intended to provide an overview of our stewardship activities for our investment management clients globally. This report is submitted for application to the Stewardship Code in April 2023.

Our Annual Report and Sustainability Report provide further details on our broader strategy, major developments in 2022, corporate governance arrangements and progress on corporate sustainability including diversity, inclusion and equity.

This Report covers the GAM investment management business, including our External Investment Management partners ('EIMs') but excluding our Fund Management Services business ('FMS') for which GAM acts as a third-party Management Company Services provider, collectively referred to as 'GAM Investments'. The Report was subject to review by our Sustainability Committee, our Group Management Board and approved by the GAM International Management Ltd (GIML) Board.

All data in this report relates to the period from 1 January to 31 December 2022 unless otherwise stated.



IN NUMBERS

A few numbers that provide a snapshot of our stewardship activity in 2021:

830

direct engagements with companies in 2022.

12,515

unique resolutions in 2022, of which 14.4% were votes against management.

Signed

the Finance Sector Deforestation Pledge and Powering Past Coal Alliance Finance Principles.

24%

of our global organisational leaders are women.

4.6 hours

of ESG-related training completed on average per employee.

3 awards

including Environmental Finance IMPACT Award and Best Swiss Equities Fund. 2021 Stewardship Report shortlisted by the International Corporate Governance Network (ICGN).

PURPOSE AND GOVERNANCE

STEWARDSHIP CODE 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

The Ukraine conflict and subsequent impact on energy and financial markets presented significant upheaval within the asset management industry and for many of our clients. During this period, we focused on serving our clients and continued to strengthen our approach to stewardship and sustainable investment.

Our purpose continues to be to protect and enhance our clients' financial future. At the beginning of 2022 we refreshed our language to more clearly reflect how we intend to deliver this for our clients, namely by attracting and empowering the brightest minds to think beyond the obvious, we strive to provide investment leadership, innovation and a positive impact on society and the environment.

Our firm-wide strategy for 2022 focused on the three pillars of growth, excellence and transparency, anchored on building and empowering our talent to deliver on this strategy. The growth pillar is based on our client-centred approach to delivering results through our three capabilities – Investment Management, Wealth Management and Fund Management Services. Our new cloud-based operating platform and enhanced operational systems allows us to become more efficient and to focus on excellence for our clients throughout the firm. The transparency pillar focuses on further enhancing our reporting – at the firm level and product level – to demonstrate accountability and build trust.

Our sustainability strategy (Figure 1) supports our firm-wide strategy through the four pillars - embedding ESG, active stewardship, sustainable products and solutions, and high corporate standards. As active investors, we believe that understanding environmental, social and governance (ESG) factors, acting on them where appropriate and developing sustainable solutions are key to our ability to deliver better returns for our clients and better real-world outcomes in this rapidly transforming world.

Figure 1: Sustainability strategy – four core pillars

Embedding ESG

We aim to embed ESG risks, opportunities and impacts in our investment analysis and decision-making using leading data, tools and insight.

Sustainable products and solutions

We are committed to developing products to help our clients navigate, benefit from and drive the transition to a more sustainable and lower carbon economy.

Active stewardship

We seek to use our influence through voting and engagement to drive positive change at a company level, and in the broader market.

High corporate standards

We deliver our purpose through a focus on the diversity of our people, and striving for a positive impact on society and the environment.

Source: GAM

Our approach is driven by three guiding principles:

- **Driving value for our clients** – we are committed to focusing our ESG integration, stewardship, advocacy and insights to support our investment strategies and deliver on our clients' objectives.
- **Supporting high standards** – we believe high standards in sustainability and transparency are key to a well-functioning company and market. We aim to evidence these in our own actions and commitments and support improving standards in the companies and markets in which we invest.
- **Striving for a positive impact** – we challenge ourselves and the companies in which we invest to improve their performance and outcomes.

Stewardship is a central pillar of our responsible investment strategy and investment culture, enabling us to build conviction in our investment thesis, enhancing our understanding of how ESG factors impact company valuations, building our awareness of risk and reward and increasing our ability to identify and allocate to more sustainable businesses. We seek to use our influence through voting and engagement to drive positive change at a company level, and in the broader market.

Across our business, we recognise the importance of having the right culture to meet our stakeholder expectations and the continued success of our business. We are strongly committed to our core values of acting with integrity, being driven by excellence, and delivering through collaboration.

At GAM, diversity, equity and inclusion are critical to our success. By fostering an environment that embraces diverse perspectives we become better investors and better problem solvers. An inclusive and diverse environment makes us better placed to identify with and be empathetic to the needs and aspirations of our clients.

To successfully develop and protect our culture, we must be able to measure, monitor and manage our culture journey. We first introduced our Culture Scorecard in 2020. Our Scorecard serves to take a snapshot of culture at a global and regional level. In measuring where we are on our culture journey, it allows us to track areas where initiatives have been successful in promoting a healthy culture and points to areas where we may need to work harder or to address emerging themes. Culture indicators include governance and senior leadership, conduct, collaboration, innovation and ideas, the employee lifecycle and experience, diversity, inclusion and belonging, sustainability and client experience and perception.

Activity

Our sustainable investment framework is intended to ensure we deliver on the 'Embedding ESG' and 'Active Stewardship' pillars of our sustainability strategy. This is supported by our strong culture of integrity, excellence and collaboration, our commitment to transparency and our focused learning and development programme.

Sustainable investment framework

In 2022, key activities to strengthen and improve the effectiveness of our framework included:

- **Strong governance & policy framework** – we further integrated our oversight committees, with our Global Head of Investments joining our Sustainability Committee and our Global Head of Sustainable and Impact Investment joining our Group Investment Oversight Committee. (Additional details are covered in Principle 2 and Principle 5).
- **Embedding ESG at the portfolio level** – we developed our ESG expertise, data, tools and thematic insight to manage risks and drive alpha.
- **Active stewardship** – we increased our dialogue, engagement and voting to support analysis and drive positive change.
- **Risk oversight and transparency** – we undertook investment risk meetings, including a review of flagged ESG issues, such as poor ESG or carbon scores or controversies.
- **Industry collaboration to improve policy and practices** – we actively led and participated in key industry initiatives and organisations.

Transparency

Transparency is a key pillar of our strategy, and we seek to disclose our own approach and progress clearly and transparently to promote accountability. Our policies and reports are available on our website. In 2022, we enhanced our disclosures as follows:

- **Sustainability Report** – following our formal support for the Taskforce on Climate-related Financial Disclosure (TCFD) in 2021, we published our first TCFD-aligned climate disclosures in 2022.
- **Net zero commitment** – in July 2022, we submitted our interim net zero targets as part of our commitment to the Net Zero Asset Managers (NZAM) initiative which we joined in 2021. We published these, together with details of our approach, in August.
- **UK Gender Pay Gap Report** – in the UK, GAM voluntarily undertook its first Gender Pay Gap review and public disclosure, published in 2022 in respect of the combined group of UK employees across its four UK employers, based on April 2021 'snapshot' data.

Outcome

Our purpose and investment beliefs have continued to guide our stewardship activities outlined within this report which we believe have been effective in serving the best interest of our clients. Activity and outcomes are detailed in greater detail throughout this report.

Highlights include:

- **Navigating the net zero transition** – following on from our commitment in 2021 to work in partnership with our clients to support the goal of net zero greenhouse gas (GHG) emissions by 2050 or sooner, as part of the Net Zero Asset Managers (NZAM) initiative, in July 2022, we submitted our interim net zero targets. Our 2030 targets cover all funds classified as equity or corporate fixed income, representing more than a third (36% or USD 12.5 billion) of our Investment Management assets under management (AuM) as at 31 December 2021[1]. GAM also became a signatory to the Powering Past Coal Alliance Finance Principles, joining investors and governments alike in accelerating the transition from high-polluting coal to cleaner energy. Stewardship is the primary tool to deliver on these commitments and targets.
- **Striving to eliminate deforestation** – in March 2022, we joined the Finance Sector Deforestation Pledge, committing to using best efforts to eliminate agricultural commodity-driven deforestation from our portfolios by 2025. Commercial agriculture is the single largest cause of deforestation and forest degradation globally. As the systemic risk of biodiversity loss and interdependency with addressing climate change is better understood, we are increasing our focus and activity on this issue.
- **Engaging on human rights** – in August 2021 we joined the UN Global Compact, and as part of this commitment to sustainable and responsible business practices, we commit to respecting human and labour rights, safeguarding the environment, and working against corruption in all its forms. This is relevant to our own operations, as well as our impact though our investments. This has led us to join the PRI Advance initiative focused on human rights and social issues, launched in December 2022. 40 companies within the metals & mining and renewable sectors have been targeted initially, and we are lead investors for two companies. We are also planning to develop a more granular human rights policy in 2023.

We are pleased to have received sustainability-related awards and recognition in 2022, including:

- **IMPACT Award 2022** – we won the Environmental Finance IMPACT Award for our first Impact Report for our Climate Bond strategy.
- **Inrate Corporate Governance zRating** – GAM was recognised as the fourth best financial services provider in Switzerland.
- **Swiss Sustainable Funds Awards** – GAM won Best Swiss Equities Fund for our GAM Swiss Sustainable Companies strategy, for the second time in three years running.
- **European Pensions Awards 2022** – GAM was shortlisted for ESG or SRI Provider of the Year.
- **ICGN** – our 2021 Stewardship Report was shortlisted by the International Corporate Governance Network (ICGN) for their prestigious Global Stewardship Disclosure Awards.

Additional details are in our Sustainability Report.

[1]Please see GAM: Committing to Net Zero for further details.

STEWARDSHIP CODE PRINCIPLE 2

Signatories' governance, resources, and incentives support stewardship.

Activity

Governance & oversight

Sustainability is key to our business, and we therefore seek to integrate the relevant aspects into the most appropriate existing governance and process frameworks, where these already exist. We believe this is the most effective approach, sitting within existing areas of expertise and accountability, and will therefore drive the best outcomes for clients.

The governance structure and responsibilities are outlined below:

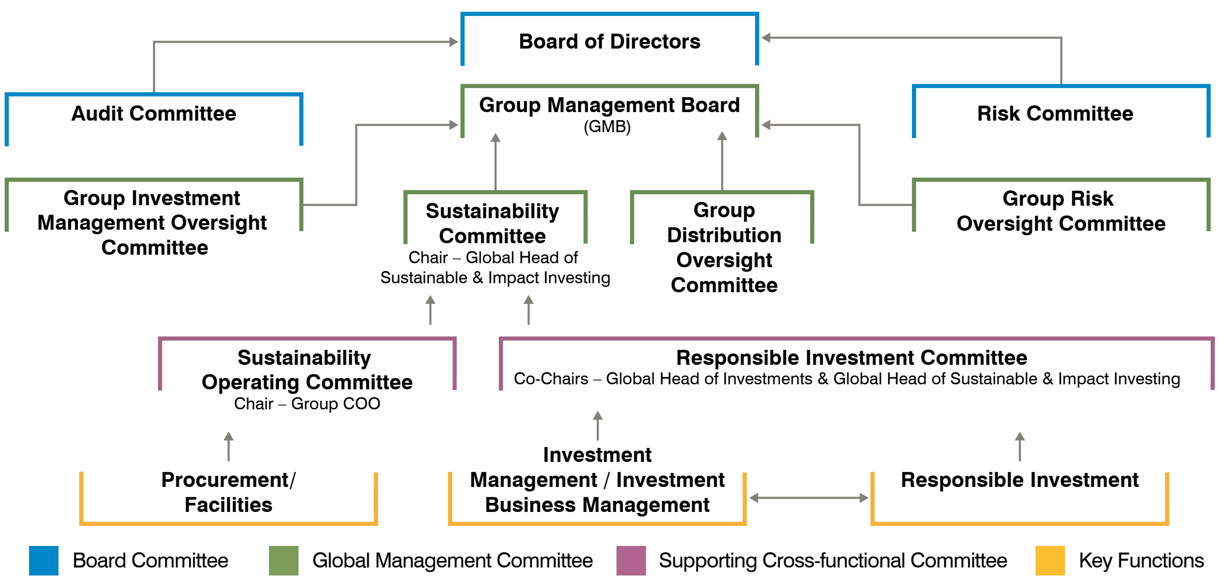
Board level – The Board of Directors of GAM Holding AG has ultimate responsibility for our business and sustainability strategy. We have named Board members responsible for championing sustainability, climate, culture and diversity alongside key sustainability deliverables incorporated into the activities of Board committees, including:

- **Audit Committee** – reviews Sustainability and TCFD reports as part of the Annual Report approval.
- **Risk Committee** – periodically reviews the sustainability and climate risk registers.
- **Compensation Committee** – reviews how best to incorporate clear ESG targets in performance assessment of our senior leaders as we progress through 2023. Sustainability objectives are a component of the Strategic Objectives that apply to all members of GAM's Group Management Board (GMB) through the GMB Scorecard, reinforcing the sustainability focus of our most senior leaders.
- **Governance and Nomination Committee** – considers diversity and inclusion to support human capital.

Group Management Board (GMB) & Oversight Committees – the GMB is responsible for the day-to-day management of the Group and its oversight and control. It comprises the CEO, CFO, COO and CRO, as delegated by the Board of Directors of GAM Holding AG. The GMB is supported by ten oversight committees.

- **Sustainability Committee** – consists of senior members across key functions. The group was established as one of the oversight committees in 2020 and was further enhanced by the introduction of two supporting committees in 2021 – the Responsible Investment Committee and Sustainability Operating Committee. Together these committees are tasked with ensuring that GAM is consistent in delivering on its sustainability commitments and strategy.

Figure 2: Governance for sustainability



Source: GAM

- **The Sustainability Committee** and supporting committees meet at least quarterly and provide a quarterly report and update to the Board of Directors. In 2022, the Sustainability Committee met six times – with agenda items including the annual review of sustainability-related policy documents, including an updated Engagement Policy, Voting and Governance Principles and Climate Change Statement, approval of our Net Zero Interim Targets, review of key reports including the Sustainability and Stewardship Report and review of Sustainable Finance Disclosure Regulation (SFDR) implementation. Our new Global Head of Investments joined as a member of the Committee in Q2. The Responsible Investment Committee met five times in 2022 to review the key responsible investment policies, net zero commitment and SFDR implementation. Following the development of our net zero targets we determined that it would be more appropriate to address climate-related issues in our Responsible Investment Committee going forward, rather than a separate Climate Change Working Group, and this working group was therefore disbanded. The Sustainability Operating Committee met seven times in 2022 to approve our new partnership with Junior Achievement, approve charitable donations, and develop our new Human Rights policy.
- **Global Investment Management Oversight Committee** – responsible for providing oversight of investment performance alongside key risks and controls relating to the Investments Function, including the integration of ESG considerations within the investment process. In 2022, the Global Head of Sustainable and Impact Investment joined the Committee as a member. ESG is a standing agenda item of the regular meetings of the Committee and considers periodic management information, ESG implementation updates as well as relevant escalations.
- **Group Distribution Oversight Committee** – responsible for ensuring that GAM's products are manufactured, marketed and sold in line with client expectations, the Group's risk appetite and industry good practice. The Committee oversees the effective delivery of products and services to clients.
- **Risk Oversight Committee** – responsible for advising the GMB and the Board on the Group's risk management strategy, risk appetite and associated limits, establishing and implementing the Group's principal risk and capital management policies, and providing oversight of the operation of the Group's risk management framework.
- **Regulatory Oversight Committee** – The Committee is responsible for overseeing compliance with applicable laws and regulations throughout the GAM Group.

Control functions – the following first- and second-line control functions support the implementation and oversight of our investment strategies, including any sustainability requirements.

- **Investment Controlling** – a second-line risk team which monitors our investment teams adherence to applicable legal and regulatory, prospectus, contractual and internal investment guidelines, including GAM's Exclusions Policy. The team escalates guideline breaches, oversees their timely remedy and reports the details to the relevant committees and boards and as required, applicable external auditors and regulators.
- **Investment Risk Oversight** – the second-line Investment Risk Oversight team produces, reviews, analyses and challenges investment risk and performance. The team produces a range of investment risk information for internal and external stakeholders including a quarterly sustainability risk review.
- **Investments Business Management** – a dedicated first-line team embedded within the Investments business. The team supports the ownership and management of risks within GAM's dedicated investment teams via the identification, assessment, monitoring and control of risk including:
  - Oversight of the implementation of investments-related policies and procedures including the sustainable investment policy framework.
  - Independent oversight and reporting to relevant boards and committees of key ESG-related areas including, but not limited to, investment due diligence and record keeping reviews, delegate investment manager key risk indicator (KRI) reporting and, monitoring of sustainability and climate risks as part of regular Risk Control Self-Assessment Reviews.
  - Monitoring of ESG-related breaches and incidents as part of periodic reporting including exceptions, escalation, and action tracking.
  - Project support as we look to further embed ESG within the investment process, such as the implementation of periodic Principle Adverse Impact reviews and investment team-specific process enhancements via regular desk procedure reviews.

Internal organisation and resourcing

Our Responsible Investment team is a dedicated expert team, partnering with our investment teams to support engagement, voting and ESG research across our strategies. The team is independent of investment teams and is led by Stephanie Maier, GAM's Global Head of Sustainable and Impact Investment, a member of the senior leadership team. She has over 20 years' experience in sustainable investment and research. including senior responsible investment roles at HSBC Global Asset Management and Aviva Investors. She sits on the Steering Committee for Climate Action 100+, the world's largest collaborative shareholder engagement on climate, and co-chairs the IIGCC Corporate Programme.

As at end January 2023, in addition to the Global Head, this team comprised one Senior ESG Manager, two Senior ESG Analysts, two ESG Analysts, one of who is focused on corporate governance and voting, and an ESG Support Analyst, based in London, Singapore and Dublin. We consider this team to have appropriate mix of seniority, experience and qualifications. This includes a range of academic backgrounds and specific experience in corporate governance, climate change, and thematic research. Three team members hold the CFA ESG Certificate, two hold the Investment Management Certificate and one is a CFA Charterholder. The team is 57% female and 43% male.

Training

As we seek to integrate sustainability across the business, building employee understanding and awareness is key. In 2021, we partnered with the PRI (Principles for Responsible Investment) to provide e-learning and certification on 'Foundations in Responsible Investment', which delivers an accredited course for our distribution and client-facing employees who require more specialist knowledge. In 2022, we developed a core mandatory learning module 'Understanding the Risks of Greenwashing', which was assigned to our global employee population. We continue to support external qualifications such as the CFA Certificate in ESG Investing and the new CFA Certificate in Climate and Investing. We further supplemented knowledge with topical micro-seminars on Net Zero, Deforestation, Measuring the impact of our Climate Bond Strategy, Voluntary Carbon Markets, Climate metrics and Key Sustainability Themes for 2023 and encouraged participation in relevant external training modules and webinars. In 2022 an average of 4.59 hours of ESG-related training was completed per employee. In 2023, we will focus on highlighting ESG-related training relevant to specific functions and roles.

Diversity, equity and inclusion

We recognise the importance of having the right culture to meet our stakeholder expectations and the continued success of our business. We are strongly committed to our core values of acting with integrity, being driven by excellence, and delivering through collaboration. At GAM, diversity, equity and inclusion are critical to our success. An inclusive and diverse environment makes us better placed to identify with and be empathetic to the needs and aspirations of our clients. All employees are responsible for fostering an environment that creates a diverse and inclusive workplace, where we all feel valued, listened to, treated fairly and respected.

GAM has previously signed the UK Women in Finance Charter with the goal of increasing the proportion of women in senior management positions within GAM globally to 25% by 2022. In 2022, we also joined Ireland's Women in Finance Charter where women hold 75% of our senior roles. At the end of 2022, 24% of our global organisational leaders are women.

ESG research, tools and processes

ESG data is becoming increasingly important to our investment analysis and reporting. In 2022, we further developed our corporate ESG dashboard – presenting key ESG, climate, principal adverse impact and trend data from multiple sources – and transitioned this onto the Bloomberg platform. These developments make the ESG data and research more accessible for the investment teams to support integration into the investment decision-making. We also developed a new high-level sovereign ESG dashboard to support country level analysis. These dashboards are available for the majority of our internally managed equity, corporate and sovereign bond funds.

We also developed our in-house ESGVector corporate assessment framework. This is currently predominantly used by the Responsible Investment team to provide a deeper assessment of focus companies and companies where there is limited coverage by ESG research providers. Next year, we plan to work more closely with investment teams to build out and apply this framework.

Incentives

The Group's total compensation approach comprises fixed and variable compensation. Fixed compensation includes base salary, which reflects seniority, experience, skills and market conditions, and customary local practices. Variable remuneration is awarded annually and is dependent on Group, business area and individual performance.

In 2021, our Compensation Policy was updated to reflect the requirements of regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ('SFDR'). Our Compensation Policy operates in a way that is consistent with the integration of sustainability risks. Where appropriate, formula-based bonuses will reflect sustainability risks, as these risks will drive investment performance, as an important component in determining the allocation of formula-based bonuses payable to fund managers. The Group's Compensation Policy is available on GAM's website. Sustainability objectives were a component of the Strategic Objectives that apply to all members of GAM's Group Management Board (GMB) through the GMB Scorecard, reinforcing the sustainability focus of our most senior leaders.

We believe this approach supports our employees to integrate stewardship and investment decision-making.

Outcome

We consider this strengthened governance structure and processes have supported stewardship well during 2022. This includes:

- **Better alignment between investment and Responsible Investmentteams** – governance updated whereby the Global Head of Investments sits on the Sustainability Committee and the Global Head of Sustainable and Impact Investment sits on the GIMOC
- **Principal Adverse Impact (PAI) assessment framework** – more structured consideration of key sustainability areas within those funds disclosing according to the requirements of SFDR 'Article 8' – this supports Principle 7 (integration) and Principle 9 (engagement)
- **Better ESG data and tools** – ESG dashboard, PAI assessment and ESGVector support identification and analysis of key ESG issues

The following improvements are planned for 2023:

- **Enhanced due diligence** – Investments Business Management (IBM) launched the Global Investment Due Diligence and Record Keeping Policy in February 2023 to support GAM's existing Investment Management Oversight Framework and will continue to work with the investment teams to explore opportunities for optimising the supporting infrastructure.
- **Developing KPIs** – IBM will continue to work alongside the Responsible Investment team to further develop ESG related management information to enhance reporting, allowing for increased targeted and thematic analysis.
- **Improving ESG tools** – we will continue to develop tools to support ESG integration and stewardship. This will include building our ESG dashboard on the Bloomberg platform and an assessment framework for net zero alignment.

STEWARDSHIP CODE PRINCIPLE 3

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

Context

Conflicts of Interest Policy

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 any conflicts from adversely affecting the interests of clients. The Policy sets out the framework we have implemented 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, and failure to do so may result in disciplinary action against the individual concerned, including termination of employment. Annual training on the identification and management of conflicts of interest is provided to all employees, and comprises both interactive workshops and computer-based training. The Policy is reviewed annually by the Global Head of Compliance and was last updated in April 2023.

Key components of our conflicts of interest framework

The key components of our conflicts of interest framework are as follows:

1. **Board Governance & Segregation of Function & Duties** – Investments functions are segregated from support functions to allow for their independence. Our internal control environment is underpinned by a "three lines of defence" framework which ensures the independence of control functions, including Compliance, Risk and Audit.
2. **Conflicts of Interest Committee (COI Committee)** – The COI Committee is one of ten key oversight committees in GAM's governance framework, and reports directly to the Group Management Board. Chaired by the Group Chief Operating Officer, it is a global, independent function that meets at least quarterly, and has four primary responsibilities:
    - To ensure that a consistent and effective process for identifying, preventing, managing and reporting conflicts of interest is implemented and maintained at a global level.
    - To consider all new conflicts of interest identified, ensuring adequate controls are implemented to manage those conflicts.
    - To provide oversight that ensures that existing and proposed controls for preventing and managing conflicts of interest are designed adequately and operate effectively.
    - To oversee the annual review of conflicts of interest training.
3. **Conflicts of Interest Register (COI Register)** – The COI Register records conflicts of interest that have arisen or may arise in the course of GAM's business activities globally. This includes ensuring the requisite controls are implemented to manage those conflicts. Risk-based Compliance testing is carried out to ensure the adequacy and effectiveness of these controls.
4. **Policies and Procedures** – Our detailed policies and procedures are designed to ensure that processes are in place to reduce the possibility of a material risk of detriment to the interests of clients.
5. **Training** – Mandatory conflicts of interest training is provided to all employees through both computer-based training and interactive Conflicts & Conduct Workshops.
6. **Dedicated Resource for Managing Conflict of Interest Risk** – The Global Head of Conflict of Interest & Conduct is a dedicated resource for the management of conflicts of interest across all GAM entities.

Activity

On 29 March 2022, GAM International Management Limited (GAM's UK investment management firm) was fined £9.1 million by the FCA in relation to the Warning Notice issued by the regulator on 16 December 2021, concerning a failure to ensure that the company's systems and controls for the identification, management and prevention of conflicts of interest operated effectively during a period from 28 November 2014 to 8 March 2018.

Throughout the year under review, we have continued to build on the enhancements to our conflicts of interest framework that had begun since mid-2018. In addressing such historic weaknesses, our aim has been to ensure that conflicts of interest identification and management becomes an inherent part of GAM's culture in our commitment to creating long term value for our clients, and is not purely a matter of meeting our regulatory obligations in this regard.

Conflicts of interest arising from our stewardship and investment management activities are accordingly identified, managed, recorded and monitored as follows:

Identifying Conflicts

All employees are alert to actual and potential conflicts of interest arising from all aspects of our investment processes.

This is achieved by:

- annual training comprising interactive workshops with bespoke case studies relevant to function areas, in addition to computer-based training
- communication alerts informing employees of any new or revised policies and procedures relevant to conflicts of interest identification and management.

Escalation of Conflicts

An individual having identified an actual or potential conflict of interest will inform the Group Head of Conflicts of Interest & Conduct about the conflict.

The Group Head of Conflicts of Interest & Conduct:

- undertakes an initial assessment of the conflict and advises on any immediate action that may be necessary to manage the conflict; and
- refers the conflict of interest to the Conflicts of Interest Committee (COI Committee) for consideration.

Managing Conflicts

The COI Committee evaluates the conflict of interest and confirms whether it is an actual or potential conflict.

Also, the COI Committee determines:

- the likely control required to be implemented to manage the conflict
- the individual/department who will be responsible for implementing the control required to manage the conflict.

The Group Head of Conflicts of Interest & Conduct liaises with the prospective control owner and agrees on the control to be implemented to manage the conflict of interest and the timeline for implementation.

The Group Head of Conflicts of Interest reports to the COI Committee on the control implemented (or to be implemented) to manage the conflict.

Recording & Monitoring Conflicts

The following are recorded in the COI Register:

- the conflict of interest
- the control implemented to manage the conflict
- the control owner

The control owner of the conflict is responsible for ensuring the control remains adequate and effective to manage the conflict.

Compliance periodically review that the conflict of interest is being adequately and effectively managed.

The Group Head of Conflicts of Interest & Conduct reports to the relevant GAM Boards in relation to any new conflicts of interest, the COI Register and generally in relation to the management of conflicts of interest risk.

We believe that the effective management of conflicts of interest relevant to stewardship and investment management requires investment portfolio managers to carry out appropriate due diligence. This is with respect to the companies they propose to include in the investment portfolios they manage i.e. to ensure investments are made solely in clients' best interests.

In the year under review, we published a new Investment Due Diligence and Record Keeping Policy setting out the standard of due diligence required to be undertaken and recorded by investment portfolio managers. This included a requirement for investment teams to maintain desk procedures concerning their processes for undertaking due diligence with respect to companies they propose to include in the investment portfolios they manage. The policy requires the Investment Business Management (Investment Operations) function to undertake risk-based monitoring of the due diligence undertaken by investment portfolio managers.

Key Potential Conflicts of Interest

The key potential conflicts of interest related to stewardship activities that have been identified in the period under review 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 (e.g. 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 during 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
- where a team member or other colleague known to an investment portfolio manager holds an external directorship in a company that the portfolio manager proposes to invest on behalf of clients.

In any such circumstances, the conflict of interest will be referred to the COI Committee to ensure that an adequate and effective control is implemented to manage the conflict. This includes steps to be taken in accordance with the Conflicts of Interest Policy, the GAM Corporate Governance and Voting Principles and the Group Proxy Voting Procedures to advance clients' best interests in relation to companies in which GAM invests on behalf of clients.

In relation to vote decisions, particular circumstances may require both the Global Head of Investments and the Global Head of Sustainable and Impact Investment to make the vote decision. If necessary, a vote decision may be escalated to GAM's Sustainability Committee as final arbitrator. For more information, please refer to the Conflicts of Interest Policy, the GAM Corporate Governance and Voting Principles and our Engagement Policy, available on our website.

Outcome

In the period under review, employees notified ten conflicts of interest to the Group Head of Conflicts of Interest & Conduct, which were then referred to the COI Committee for consideration. None of these conflicts related to stewardship, and accordingly no conflict arose that prevented GAM from engaging with a company or making a proxy voting decision on behalf of clients.

A separate log of employees undertaking external roles was maintained in the period under review, and of the three external roles notified in the period none presented a conflict of interest.

STEWARDSHIP CODE PRINCIPLE 4

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

Activity

Identifying and responding to market-wide and systemic risks

The first half of 2022 saw extraordinary economic and geopolitical conditions leading to volatile markets and the reduction in value of many core asset classes. China's more prolonged response to Covid-19 also impacted supply chains. Inflation, and a growing realisation among investors that this was set to continue, and in many cases at a higher rate than anticipated, was a key market-wide risk driving all asset classes, including currency rates.

Within our risk management framework, we actively work to identify and respond to market-wide and systemic risks, and how these can impact asset and portfolio level risk. This is a core role of our active investment managers and drives key conversations from an investment risk management perspective. While we were not immune to the market volatility, our experienced investment managers navigated the period robustly.

In 2022, we focused in particular on two systemic and interdependent risks – climate change and nature. Addressing these two risks substantially informed our stewardship activities, which are further expanded upon within the chapters addressing the relevant Stewardship Code Principles, and include:

Commitments – in March 2022, we joined the Finance Sector Deforestation Pledge (FSDP), committing to using best efforts to eliminate agricultural commodity-driven deforestation from our portfolios by 2025. In September we published our interim net zero targets having joined the Net Zero Asset Manager initiative last year and joined the Powering Past Coal Alliance, committing to accelerate the phase out of unabated coal.

Integration – in December 2021, we on-boarded new climate and carbon related metrics. This supported our first entity-level TCFD-aligned disclosure in February 2022 (in respect of full year 2021) and the setting of our interim net zero targets. This data also supported portfolio level analysis, identifying climate-related physical and transition risks under different scenarios. Our ESG dashboard includes a climate pillar with key metrics at the portfolio level. Data on deforestation is more limited, we conducted an initial analysis of exposure using the CDP forestry data and engaged with data providers through the FSD to improve data.

Engagement – engagement is key to delivering on our net zero and deforestation targets. We focus our direct engagement on climate-related disclosure, setting science-based targets and a decarbonisation strategy. We support collaborative engagement, including through ClimateAction100+ and the CDP non-disclosure and science-based targets collaborative initiatives.

Voting – In 2022, there was a significant increase in climate-related resolutions on the ballots. The number of votable resolutions on climate change put forward by both management and shareholders increased by 65% compared to 2021. Our voting policy considers climate as one of the key responsibilities of the Board.

Public policy engagement – in addition to participating in the groups outlined below, we signed a number of investor statements supporting government action on climate and nature. This included the Global Investor Statement on Climate Change, the financial sector statement on biodiversity for COP15 and investor letters supporting three pieces of legislation introduced in the U.S. at the federal and state levels that would work together to reduce deforestation and human rights abuses in U.S. supply chains.

Good quality disclosure on sustainability risks, opportunities and impacts continues to underpin and enable appropriate stewardship. We therefore continue to support improved sustainability disclosure and in June, we supported a joint WBCSD (World Business Council for Sustainable Development), PRI, and IFAC (International Federation of Accountants) letter calling for stronger alignment of regulatory and stand-setting efforts around sustainability disclosures.

Working with stakeholders to improve the functioning of markets

Given the systemic nature of climate change and biodiversity loss, working with a broad set of stakeholders is necessary to address these and related sustainability risks. As we move from commitments to action, the barriers to a single set of stakeholders delivering in isolation are becoming more apparent. In addition to working collaboratively with other investors on specific engagement, the role of policy and regulation in creating well-functioning markets is increasingly critical.

We work with a range of investor groups to support progressive policy and regulation:

- Principles of Responsible Investment Global Policy Reference Group – we play an active part in the group which presents an investor voice on behalf of its over 4000 asset owner, asset manager signatories. In 2022, we provided input into multiple PRI responses through this forum, in addition to signing investor letters on aligned climate disclosure, US deforestation legislation and COP15.
- UK Investment Association Sustainable and Responsible Investment Committee - as part of this committee we participated in discussions with the FCA and provided feedback on their consultation paper on Sustainability Disclosure Requirements and investment labelling. Our Global Head of Sustainable and Impact Investment was appointed Deputy Chair in July.
- FCA/PRA Climate Financial Risk Forum – in April we joined this forum for regulators and the finance sector to share and build best practice with regard to managing climate-related risks and opportunities. This included work on mobilising climate solutions and supporting the real economy transition to net zero.

Other examples are provided in Principle 10 and throughout this report.

Outcome

While climate change continues to be a priority systemic risk, we have significantly increased our focus and engagement on biodiversity loss. Over time we also expect these themes to have a greater influence on our investment decisions as we better understand and assess risks and opportunities. Assessing effectiveness over a short time period is challenging. The two IPCC reports – Mitigation of Climate Change and Impacts, Adaptation and Vulnerability – published in 2022, as well as the IPBES Global Assessment Report on Biodiversity and Ecosystem Services in 2019 amply illustrate that there is still a chasm in action required before we can consider to effectively addressing these risks. However, the two case studies below evidence some of the progress made by the market that we have participated in.

CASE STUDY

Increasing our focus on nature

Context

Humans are driving a nature crisis on a scale not seen for ten million years and tackling this global challenge is no easy feat. Cooperation among governments, markets and wider society is key.

The December 2022 Kunming-Montreal Global Biodiversity Framework – made up of 23 action-oriented targets – was signed by almost 200 world leaders.

Activity

Halting and reversing deforestation is critical to addressing both the climate and biodiversity challenges. That's why in March 2022, we joined the Finance Sector Deforestation Pledge, committing to using best efforts to eliminate agricultural commodity-driven deforestation from our portfolios by 2025. As signatories to CDP Forests, we encourage better disclosure and progress in the supply chains of key agricultural commodities. We have used WWF and CDP to conduct an initial assessment of exposure to deforestation risk and are engaging with research providers to improve actionable data and analysis on biodiversity risk and impact. We will further evaluate and engage where appropriate with those holdings identified during 2023.

We also support stronger policy and regulation to prevent further deforestation and destruction of biodiversity. In 2022, we signed investor letters supporting three pieces of legislation introduced in the U.S. at the federal and state levels, working to reduce deforestation and human rights abuses in U.S. supply chains as well as public procurement laws in California and New York. In December, we joined over 150 investors supporting calls for an ambitious Global Biodiversity Framework as part of the financial sector statement on biodiversity for COP15.

We were also supportive of resolutions such as the one put forward by shareholders of Home Depot to report on efforts to eliminate deforestation in its supply chain. As shareholders, we welcome additional information on the company's strategy to manage its supply chain's impact on deforestation. Home Depot is a major purchaser of wood products and, as such, we believe that the company needs to manage and mitigate any deforestation risk in its supply chain. This resolution was approved by the majority of shareholders at Home Depot's AGM in 2022.

Outcome

While the Kunming-Montreal Global Biodiversity Framework is not legally binding – it does give a sense of shared global policy direction. Regulation will also provide an increasing driver on protecting forests. In December the EU regulation on deforestation-free supply chain – requiring strict due diligence on key goods aimed at reducing deforestation or forest degradation. In addition to the US regulation noted earlier. The new framework is likely to accelerate the development of the type of sustainable finance infrastructure we have seen in relation to climate - including a potential taxonomy to define what nature positive investments look like, market-wide engagements such as Nature Action 100 and frameworks to standardise and improve biodiversity-related data, led by the work of the Taskforce on Nature-related Financial Disclosures (TNFD). Using or misusing nature's resources is likely to become a more explicit cost to business.

CASE STUDY

Climate change – bridging the gap between commitment and action

Context
Climate change and the failure to achieve a just transition to net zero continues to present both significant risks, as well as opportunities. Policy is increasingly critical in enabling this transition.

Activity
Our climate change statement sets out how we seek to address these risks and opportunities through engagement, voting, integration, policy advocacy and developing new products. In 2022, examples included:

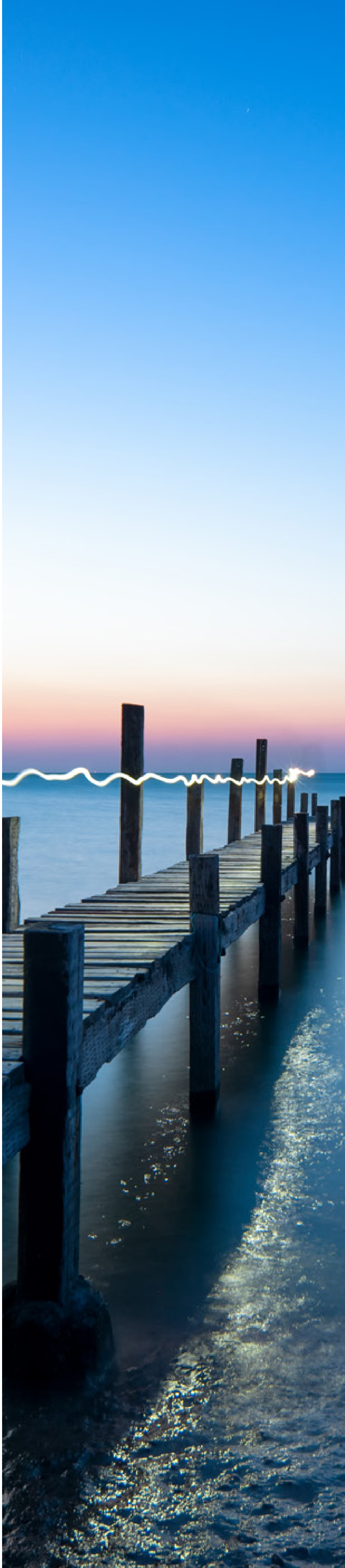
- **Global investor statement on climate change** – in September, over 500 investor signatories managing around USD 39 trillion in assets called on governments to implement policies consistent with a just transition, limiting global temperature rise to 1.5°C. By signing the statement, we called on policymakers to adopt and implement policies such as: medium and long-term climate strategies, transitioning energy away from fossil fuels, ending deforestation, bolstering climate finance, and strengthening disclosures.
- **Collaborative engagement** – including through Climate Action 100+ and the CDP non-disclosure and science-based targets collaborative initiatives.
- **Voting** – we supported 41% of climate-related shareholder resolutions in 2022 (43% in 2021). Among these, we supported 75% of the resolutions asking the Board to either improve reporting on climate-related strategy or to adopt GHG emissions reduction targets in alignment with Paris Agreement. In 2022, we did not vote in favour of 38.5% of resolutions put forward by management to approve their climate plan and/or report. This represents a sharp increase compared to 2021, when we only voted against a single climate-related resolution from management, reflecting the heavier scrutiny in assessing the Boards' strategies to mitigate the exposure to material climate-related risks and their commitment to align to a net zero target.

Outcome
The COP27 Climate Conference in Egypt in November, arguably did not do enough to accelerate the response to climate mitigation at a political level – it is worth noting that there are now country level net zero commitments – of various levels of detail and weight – covering close to 90% of global emissions. At the G7, taking place in parallel, the joint statement between Indonesia and the International Partner Group (comprising among others Japan, the US, EU and UK) on the Indonesia Just energy Transition Plan to accelerate the expansion of renewable energy and phase down on coal looks to be an important model for leveraging capital to deliver on the transition.

Collaborative engagement such as Climate Action 100+ made progress. The ClimateAction100+ Net Zero Company Benchmark October 2022 assessments showed progress across all indicators with 75% of focus companies have set a net zero emissions by 2050 (or sooner) ambition that covers, at least, their Scope 1 and 2 GHG emissions. Improvements were also delivered through the CDP engagement initiatives (see Principle 10).

The ramifications from the US Inflation Reduction Act have already triggered concern and a concrete response from Europe. With European Commission president Ursula von der Leyen announcing that the 'Green Deal Industrial Plan' - covering regulations, environment, financing, skills and trade is in development alongside a new Net-Zero Industry Act clear goals for European clean tech by 2030 at her speech at Davos.

Notwithstanding the outcomes from COP27, and some concerns regarding the context and ambition for COP28, governments are starting to recognise the net zero transition as a major business and investment opportunity.



STEWARDSHIP CODE PRINCIPLE 5

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

Activity and Outcomes

Our sustainable investment policies provide the framework for our stewardship and investment activities. We review our policies annually to reflect any new commitments or developments. Our process is subject to ongoing review as we seek to become more effective in delivering for our clients

Policy review

In 2022 we reviewed our sustainable investment policy framework and made updates to our Responsible Investment Policy, Engagement Policy, Corporate Governance and Voting Principles, Climate Change Statement and Sustainability Exclusion Policy, which applies to the majority of our equity and corporate fixed income funds. The Exclusion Policy on controversial weapons across our investments was reviewed on a quarterly basis and updated to reflect changes to the list of excluded companies.

The policies were reviewed across our investment, legal, risk and compliance functions before formal approval by the Sustainability Committee and noting by the Group Investment Management Oversight Committee. All our policies are monitored at group level under our Policy Management Group, a committee responsible for general policy oversight and policy management processes.

Product disclosure updates

In 2022, we updated the pre-contractual disclosures in line with the requirements of the EU's SFDR. These updates describe which environmental and/or social characteristics are promoted by the products including indicators relating to good governance and engagement activities.

Process updates

The following processes were enhanced during 2022, with input across our Investment, Investment Business Management, Product, and Compliance teams.

1. **Consideration of Principal Adverse Impacts on Sustainability factors (PAI)** – our ESG assessment framework was enhanced to incorporate a quarterly PAI review framework to support the consideration of ESG characteristics by the investment teams for those strategies that are in scope. The results of the review are made available in the real-time data and analytics tool used by our investment teams. The PAI review process is described in more detail under Principle 7.

2. **Investment Management Oversight Framework** – enhancements to investment due diligence and record keeping reviews, delegate investment manager key risk indicator (KRI) reporting and, regular Risk Control Self-Assessment Reviews to better integrate ESG processes and monitoring of sustainability and climate risks.

3. **Engagement planning** – our engagement tracking process was enhanced with the introduction of a planning process that tracks engagements from the initial action through to completion. Records of completed engagements are recorded in Bloomberg and accessible to investment teams.

4. **ESG dashboard** – our ESG dashboard comprising key ESG data points is now available in Bloomberg providing a more accessible and timelier tool for investment managers alongside the PAI reviews where in scope.

Internal and external assurance

An external SFDR compliance review was conducted in late 2022 to assess the classification of Article 6, 8 and 9 funds to ensure they meet the expected level of environment and social integration. A number of new disclosure documents were also assessed against regulatory requirements, and current market best practice. Relevant policies and disclosures were updated to align with their recommendations.

An internal thematic review of investment due diligence record keeping was performed during 2022. The review was undertaken by the Investments Business Management team with assistance from the Compliance and Responsible Investment teams. The review focused on funds which promote ESG characteristics and included a review of evidence of ESG considerations in the investment process.

INVESTMENT APPROACH

STEWARDSHIP CODE PRINCIPLE 6

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

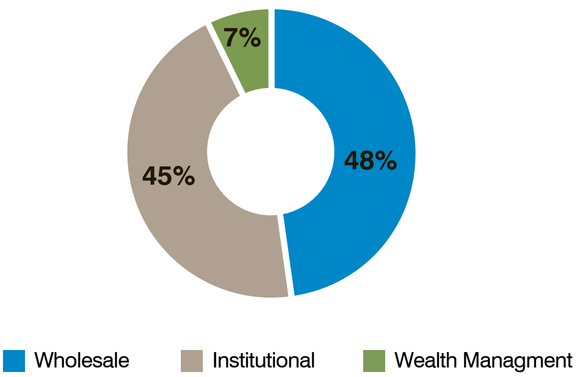
Context

Our purpose is to protect and enhance our clients' financial future. Delivering for our clients by providing high-performing investment opportunities, supported by our infrastructure and risk management, and strong long-term relationships and servicing is key to our business

Our clients

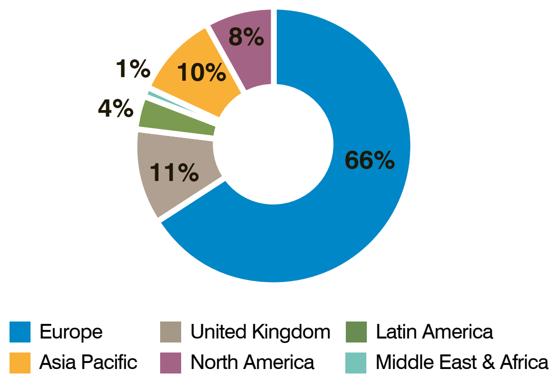
We have a diversified client base spanning geographies, channels and segments. Institutional clients, including public and corporate pensions, insurers, sovereign wealth funds, endowments, foundations and local authorities, represent 45% of our investment management assets. We maintain a strong network of distribution partners, including financial intermediaries and advisers, whose clients represent 48% of our investment management assets. Our wealth management business, representing 7% of assets under management caters to some of the world's most successful high-net-worth individuals, family offices and charitable institutions. Our client base spans Europe, North America, Latin America and Asia. Europe currently represents our most significant region.

Figure 3: Client type by AuM



Source: GAM. As at 31 December 2022.

Figure 4: Client geography by AuM



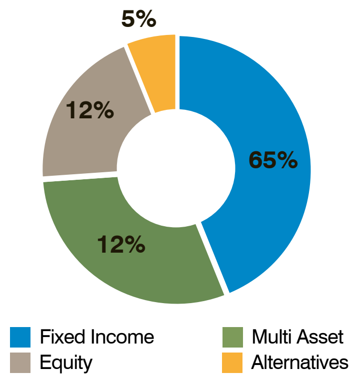
Source: GAM. As at 31 December 2022.

Our investments

We offer a broad range of distinctive products across liquid asset classes and investment styles. Our range of equity, fixed income, alternatives and multi-asset strategies are designed in order to ensure appropriate products through market cycles and our product offering is tailored to the needs of clients with a variety of structures, funds, mandates and customised solutions. We are committed to enhancing and developing new sustainable investment strategies to meet our clients' needs.

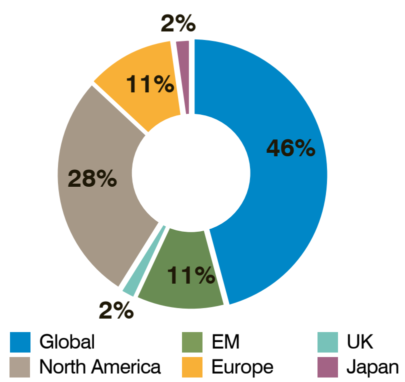
As active investment managers we typically invest over the medium to longer term as we believe that this investment horizon aligns with our philosophy to deliver the best outcomes for our clients. Our recommended investment periods are typically three, five or seven years and are communicated to clients on a product specific basis.

Figure 5: Investment asset class by AuM



Source: GAM. As at 31 December 2022.

Figure 6: Investment by invested regions (AuM)



Source: GAM. As at 31 December 2022. Portfolios with an explicit geographic remit or with a dominant geography are assigned to categories accordingly. All other portfolios are assigned to the 'Global' category.

Activity

Understanding our clients

Understanding our clients' view and needs is central to being able to deliver for them. Our team of over 85 distribution and marketing professionals are dedicated to supporting our clients in meeting their objectives. This includes:

- **Direct client engagement** – we engage directly through regular client meetings and calls, often in conjunction with one of our investment specialists or portfolio managers, to better understand their views and how we can enhance our offering.
- **Client suitability assessments** – we conduct annual suitability assessments with all our segregated client to ensure we are providing the appropriate products to meet their needs. In line with the updated MIFID requirements we have also started to incorporate consideration of sustainability preferences and will further enhance this in 2023.
- **Review of RFPs** – we undertake analysis of client questions, review of successful and unsuccessful RFPs and incorporate feedback.

We also participate in external fund management surveys to support raising standards across the industry, benchmark our performance against peers and improve our own clients' experience. In 2022, we participated in the Citywire Selector Service Study for Europe, as this is geographically where our largest proportion of clients are domiciled. This survey benchmarked our performance against 14 factors across communications and reporting, relationship management and supplementary services. Our performance sits ahead of the peer group average in half of the factors. Addressing bespoke data requests is both GAM's best performing and most improved service factor and we score top quintile for accessibility of fund manager and factsheet, manager commentary and research. However, we will continue to improve on promptness of information.

We consider the combination of direct client engagement and independent industry benchmarking to be the most effective way to understand our clients.

We are transparent with our stewardship policies and activities that apply to specific funds and communicate with our clients, both directly and through our marketing materials, to ensure they align with our clients'.

Communicating with clients

Transparency is a key pillar of our corporate strategy, and we know that our clients value our disclosure and insights. Communication of stewardship activities and outcomes includes:

- **Annual and Sustainability Reports** – outlining at an entity level our sustainability strategy including detail on stewardship and corporate sustainability
- **Stewardship Reports** – separate annual reports focused on our investment management stewardship activities in line with the principles of the UK Stewardship Code and Japan Stewardship Code
- **ESG Fund Reports** – Fund level ESG Summary and ESG Extended Reports produced for 95% of our equity, corporate debt and sovereign funds by AuM covering ESG ratings, key climate metrics and details of controversies on a monthly basis
- **Vote disclosure** – voting decisions are available for all our funds available on our website on a monthly rolling basis
- **SFDR web disclosures** – available for in scope funds providing details on good governance, environmental and social characteristics and supporting processes as applicable
- **Bespoke client requests** – for segregated mandates or on an ad hoc basis we will provide additional reporting where possible

Outcome

We actively seek feedback from our clients and the broader market to better understand and deliver for our clients.

Responding to our clients

Here we highlight a few areas where we have developed our offering in response to the views of our clients. In addition to the survey results outlined above, we have sought to measure effectiveness where possible and continue to identify further areas for improvement.

- **ESG funds reports** – in response to a greater number of requests from clients to better understand the ESG and climate characteristics of their Funds, we introduced ESG Summary reports in 2021. These reports included ESG ratings and carbon intensity metrics. In 2022, we introduced a new Extended ESG Report – which includes a more granular breakdown of ESG ratings, UN Global Compact Compliance, Controversies, and carbon exposure. Both reports are available for over 95% of our equity, corporate debt and sovereign funds by AuM[2]. We are continually looking to improve our reporting and are focused on improving climate-related reporting, as well as the introduction of the periodic reports for the funds in scope for SFDR. We track how these reports are used. In 2022, approximately 30% of ESG reports sent to clients were opened and of these 20% of reports were read. This does not include those reports accessed directly from our website.
- **Climate bond impact report** – we published our first impact report for our green bond strategy and were delighted it was awarded the Environmental Finance IMPACT Award for Impact Reporting.
- **Client suitability assessments** – we conduct annual suitability assessments with all our segregated clients to ensure we are providing the appropriate products to meet their requirements. In line with the updated MIFID requirements we also started incorporating consideration of sustainability preferences and will further enhance this in 2023.
- **Launching new strategies** – in January 2022, we entered into a strategic partnership with Liberty Street Advisors to provide clients with access to leading late-stage privately-owned technology and innovation-driven companies.
- **Client conference** – in March 2022, we held a virtual global conference showcasing our investment management and sustainability thought leadership alongside external expert speakers. Client feedback was excellent with an overall rating of 4.4/5 and 42% of respondents stating that the context exceeded expectations.
- **Sustainability insights pieces** – many of our clients value our support in navigating the increasingly complex sustainability landscape. We launched a 'GAM Explains' series unpacking various key sustainability developments, which has been well received. In 2022, this included articles related to the IPCC and COP26 on climate change and the COP15 on biodiversity.

Following stewardship policies

We clearly set out our sustainable investment policy framework, including detail of our Corporate Governance and Voting Principles and Engagement Policy. We make clear that these policies are not prescriptive and that in particular for voting, these are principle-based, taking into account relevant context such as jurisdiction, market norms, size and ownership structure. We take these decisions in line with the investment strategy and what we consider to be our clients' best interests.

[2]Each ESG Summary and Extended report for our equity, corporate debt and sovereign funds has at least 70% ESG data coverage by AUM.

Here are examples of where we have ‘deviated’ from our standard voting policy:

Bucher Industries (Switzerland) – Board election and independence

Over the past few years, Board independence at Bucher Industries was an important issue that we were monitoring closely, given it was just below our recommended threshold of 50%. In 2022, our proxy voting advisor Institutional Shareholder Services (ISS) recommended voting against non-independent directors despite, from our perspective, the company was taking clear steps to address this problem. One of the non-independent directors, Heinrich Spoerry, stepped down from the Board and the appointment of Stefan Scheiber was announced as a replacement at the AGM in April 2022.

ISS made this recommendation based on the fact that the company had not publicly stated the independence of the new director – a practice we have noticed happens regularly in the Swiss market when it comes to new director appointment. We conducted our own independence review of the candidate and we felt comfortable he was meeting all the required criteria of independence, bringing overall Board independence at 50%. As we considered this appointment a value-add to the Board composition, we supported the re-election of the entire Board.

Sensirion (Switzerland) – Supporting compensation practice and remuneration committee composition

Compensation practices at Sensirion are flagged within our guidelines because the bonus is determined at the sole discretion of the Remuneration Committee. In addition, the Remuneration Committee is only 33% independent as the two company’s founders sit on this Committee, which is also against our guidelines.

For a few years now, we have been supportive of the compensation practice and remuneration committee composition at Sensirion, despite deviating from our standard voting guidelines. In our view, the use of discretion by the Remuneration Committee in determining bonuses is not necessarily an issue, if the Committee performs its duties appropriately and understands the business. The rationale provided by the company for having the two founders on the Remuneration Committee is compelling and consistent with that reasoning. The bonus pay-outs determined by the Remuneration Committee are far from excessive (CHF 117k for the CEO in 2021), which gives assurance that the Committee discretion is being used appropriately. Considering the above, removing the founders from the Committee would not be in the best interests of the company or shareholders. Their experience and knowledge of the company can be valuable to adequately measure the executives’ performance.

Unicharm (Japan) – Amend articles of incorporation

We supported the resolution to approve partial amendments to the business purpose under the company’s Articles of Incorporation at Unicharm. Research from ISS recommended voting against this resolution given that, under the amendment to its Article of Incorporation, Unicharm proposed to expand their business lines to include ‘any legal business’. It was flagged as a concern because this wide remit could lead the company to expand into unnecessary or risky realms of business and divert management attention away from the core purpose of the business. However, in response to the concerns raised by our proxy voting adviser, the company engaged with us. In addition, the company issued a statement confirming that the change in business purpose was to ‘facilitate new ways of carrying out our core businesses and we have no intention to devote management resources to areas diverted from “manufacture, sale and import/export of non-woven fabric and absorber products”’ (their current defined business purpose).

Following the explicit statement from the company assuring that the increased business remit would not profoundly alter the resources and operation of the business, we consider deviating from our standard guideline and support this resolution.

DWF (UK) – Shareholder representation on the Board

Following the stepping down of one of the directors in December 2020, the Board failed to meet the 50% independence requirements of the UK Governance code - the Board was 44% independent. The company acknowledged the issue by explaining that the independence below 50% is due to having Shareholder Representatives on the Board. Still, they considered the board composition to be balanced and the value that shareholder representatives bring to the Board.

When there is insufficient independence on the Board (less than 50%), we normally vote against non-independent directors. In this case, while we would have welcomed a higher level of independence on the board, we consider the main shareholder representation being proportionate to their holding and independent from management. We also recognised that the company pro-actively acknowledged the issue and provided assurance that board composition was an on-going consideration. Given these considerations, we believed that voting against the two shareholder representatives would not been the best way to address the independence issue, nevertheless we continue to monitor the Board composition and its independence levels.

STEWARDSHIP CODE PRINCIPLE 7

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

Context

We seek to identify material environmental, social and governance issues, alongside financial, business strategy, regulatory, market and operational factors, as appropriate within each investment strategy to deliver on the investment objectives and our commitments to clients. The ESG integration approach will vary between investment strategies, depending on the investment process and stage of the investment process, asset class, typical holding period and market or geography.

Priority ESG issues

We prioritise those ESG issues we consider material to the performance of our investment strategies, and important to our clients. Priority issues are identified and selected using quantitative and qualitative inputs including an assessment of materiality informed by the Sustainability Accounting Standards Board (SASB) Materiality Map, to identify sustainability issues that are most likely to affect the financial condition or operating performance of companies within an industry, consideration of potential negative PAIs on the environment or society, principles of good governance and investment manager insights. The priority will also depend on the stage of the investment, for example prior to holding, monitoring through holding and exiting.

These issues are identified bottom-up (at an investment strategy level) and top-down addressing key sustainability themes we believe are influencing the investment landscape. We use fundamental analysis, supported by independent ESG data and research, recognised NGO sources, and our own engagement with companies, to identify, evaluate and prioritise key sustainability factors. We do this to better identify and manage the risks associated with sustainability factors, such as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

Priority issues include:

Climate change – we seek to integrate relevant physical and transition climate-related risks and opportunities into our investment decision making. We look to companies to have appropriate governance, strategy, risk management and disclosure relating to GHG emissions and impacts along a company's value chain. We support disclosure aligned with the Taskforce on Climate-related Financial Disclosure (TCFD) recommendations and as part of our net zero commitment seek to engage companies in delivering on credible transition plans.

Biodiversity – Risks relating to biodiversity may result from a dependency on natural ecosystems and ecosystem services, which are under threat including from deforestation, land degradation, and unsustainable activities, or a negative event which results in serious harm to biodiversity. We are planning to increase focus on this area in 2023.

Other environmental issues – including those relating to the use and availability of natural resources, including water, in the manufacture, use and disposal of products and services.

Social and human rights – including those relating to diversity and inclusion, health and safety, human rights and labour standards within direct operations, the supply chain and in products and services offered. Social risks may result from the mismanagement of employees, health and safety related closures or reputational risks associated with poor labour practices. In addition to protecting basic human rights, we look to companies to have appropriate policies, procedures and disclosures in place to manage these risks.

Governance – Governance factors include consideration of board structure and independence, alignment of remuneration, transparency of ownership and control and accounting. Risks may also arise from poor corporate culture or bribery and corruption issues. Our approach to corporate governance issues is outlined in our Proxy Voting and Corporate Governance Policy.

Activity

Our overarching ESG integration process is structured but differentiated across investment strategies. The Responsible Investment team works together with investment managers to support and improve this integration within the investment strategies – focusing on the most appropriate ESG data and analysis, or engagement approach available. The investment teams are ultimately responsible for monitoring their portfolio holdings and integrating ESG considerations in their investment decisions. They are supported in this task by various other functions at GAM, such as the Investment Risk team and the Governance and Responsible Investment team.

ESG integration across asset classes and geographies

ESG integration differs across investment strategies and will depend on parameters such as investment objectives, philosophy, asset class, geographical market and investment time-horizon. Approaches may also vary within asset classes. A high level[3] summary is provided below:

Equities

Across our equity strategies, we view active ownership and stewardship, as well as assessing investment risk in all its forms, as fundamental to our approach to managing the assets of our clients. The majority of equity teams apply a structured quarterly review of PAIs to identify priority areas and then focus on qualitative ESG assessment of issuers, using ESG data and company disclosure, and integration of voting data – with the ongoing support of the Responsible Investment team.

Corporate Fixed Income

Over 90% of our corporate fixed income strategies follow an ESG assessment framework to identify key sector ESG risks alongside PAIs. There is a sector-specific framework for finance sector investment, which represents the largest proportion of holdings, and a sector-neutral framework of other sectors.

Sovereign Fixed income

For our largest sovereign credit strategy, we use a proprietary 'Crisis Cycle Filter' (CCF) to capture nine macroeconomic variables that tend to deteriorate when governance is poor, and which we consider to be the most reliable early signs of an impending financial crisis. In our view, this is often superior to looking at traditional ESG metrics in isolation, because changes in these measures tend to lag financial markets. Engagement is mostly through investor forums and industry bodies.

Other asset classes

We have specific assessment frameworks for insurance-linked bonds, mortgage-backed securities and green bonds. Additional details are provided in the case studies.

Geographic variation

A number of our strategies are specific to certain countries or regions, such as our Japan, Asia or European strategies. In many cases these strategies are also run by investment managers based in or native to the relevant country or region. We note that geographical context is important when evaluating for example ESG disclosure, practises or expectations, as well as recognising the differences in regulatory or governance norms.

Supporting processes

ESG integration is a continuous process combining ESG data review, research, engagement and decision making. In 2022, we strengthened our ESG integration process established in 2021 - taking a view of material issues from both a top-down and bottom-up perspective and feeding directly into our engagement activities. Key processes include:

- **Portfolio ESG framework** – we enhanced our PAI assessment framework for in scope strategies.
- **Quarterly investment Risk Meetings** – review meetings, conducted by our Global Head of Investments and our Investment Risk team, include an ESG risk review. This process flags companies with poor ESG and carbon scores or with controversies and provides a point of escalation on ESG issues if required.
- **ESG Dashboard** – our proprietary ESG Dashboard also allows the investment teams and the Responsible Investment team to monitor changes in third-party ESG scores and in carbon performance to monitor ESG risks (see case study below). Additional ESG data sets and analysis is used as relevant.
- **Thematic reviews** – we combine our portfolio reviews with top-down thematic reviews of our holdings, for example a review of net zero alignment as part of the process of setting our net zero interim targets.
- **Investment risk oversight** – as outlined in Principle 2.

[3]Approaches are illustrative and differ over time and between strategies.

CASE STUDY

Integrating our ESG Dashboard onto Bloomberg

Context

Over the past couple of years, we built a PowerBI ESG dashboard bringing together key ESG ratings to investment teams from third party data providers. This proved helpful to kickstart conversations around ESG risks with our investment teams. However, this tool was not incorporated in the Bloomberg interface which investment teams use on a daily basis. To bring ESG data closer to investment teams, we decided to transition this dashboard into Bloomberg.

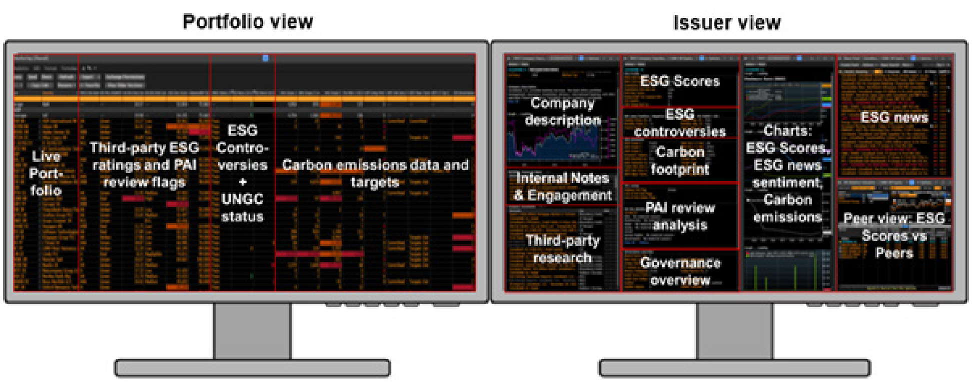
Activity

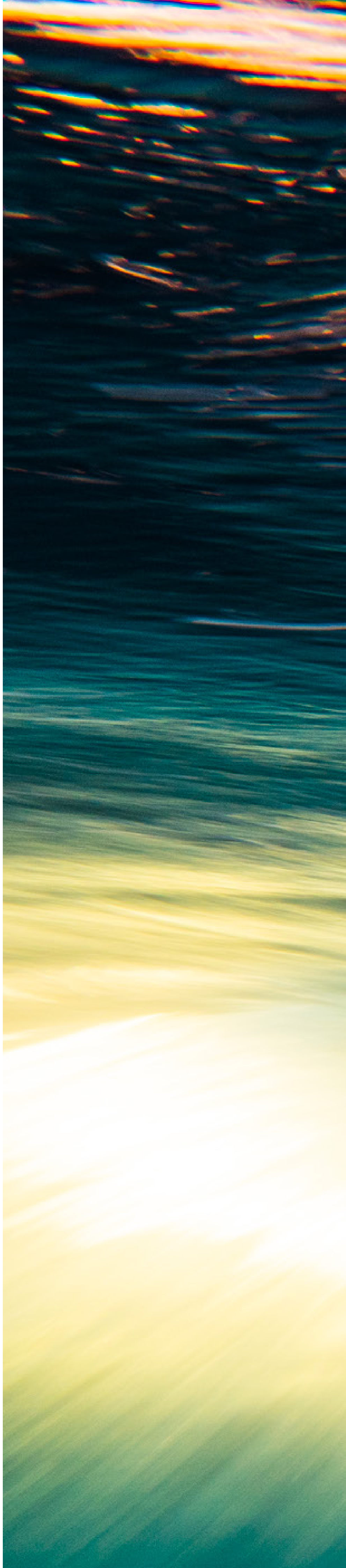
In 2022, we worked closely with Bloomberg to understand how we could leverage the data on their platform (proprietary and third-party data) to bring it to the investment teams. We saw an opportunity to use Bloomberg's existing interface to bring various existing datasets, for relevant asset classes, more directly to investment teams. We built two different views one for corporates and one for sovereigns. We divided this dashboard in two parts:

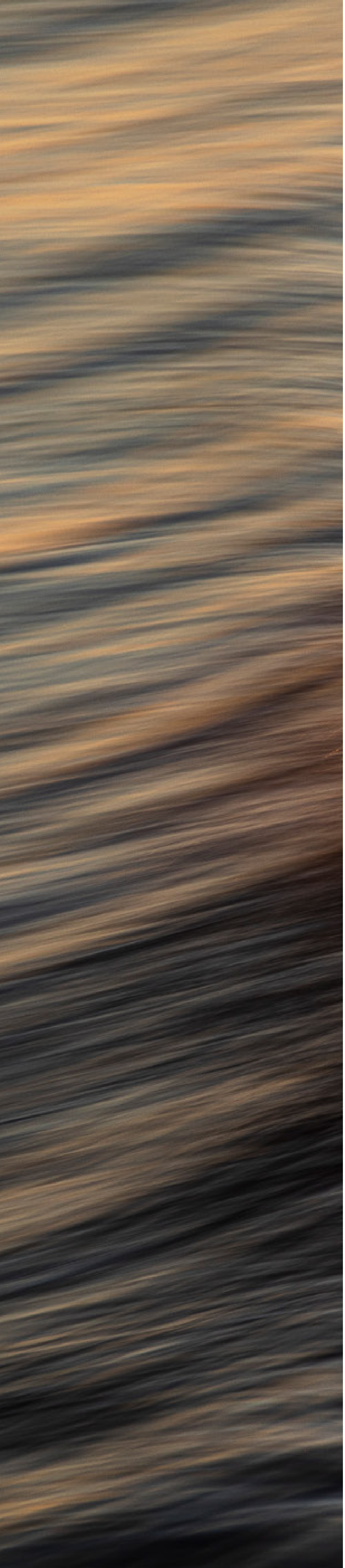
1. A live-portfolio view with high level ESG ratings and key ESG indicators across all holdings – highlighting best and worst performers in the portfolio.
2. An issuer-specific ESG view with detailed data drill-down, charts, newsfeed, peer reviews, external/internal research notes and engagement data.

Outcome

All teams operating with Bloomberg can now monitor their portfolio against key ESG metrics directly within Bloomberg. The tool allows users to monitor indicators at portfolio level and also dive into ESG characteristics of individual holdings. It brings together in one place not only ESG ratings, but also key ESG performance indicators and research, strengthening the integration process.







CASE STUDY

Three level green bond framework

Context

The strategy invests mainly in green bonds from the financial sector, namely banks and insurers. This is based on a conviction that the financial sector has a pivotal role to play in the environmental transition.

Activity

Our green bond assessment framework is designed to identify green bonds and other 'impact' bonds that will deliver meaningful impact. Our framework recognises the ICMA Green Bond Principles (June 2021) and builds on an approach consistent with our investment philosophy – bottom-up, research-intensive and adding value through engagement. Our framework is split into three layers of analysis – issuer, bond, and green asset level. Each is assessed individually, using both proprietary research and data from external third parties. Engagement is a key part of our investment process, both to enhance our analysis and to encourage improved standards within each pillar.
All assessments are based on a best-efforts basis.

- **Issuer ESG Quality** – At the issuer level, the general ESG profile of the issuer is analysed with a particular focus on environmental strategy and expected to be aligned with the issuance of green bonds.
- **Green Bond Framework** – At the bond level, the quality of the governance and processes related to the green bonds' use of proceeds are assessed. This provides visibility on the allocation of proceeds and confidence in the environmental impact.
- **Asset-level Green Impact** – Finally, the financed green assets are assessed through a quantitative lens using comparable and consistent data to ensure meaningful impact.

Outcome

If we consider only European and Australian issuers in green and sustainability format (excluding social bonds), the market size is around ~USD 150 billion (in amount outstanding). Out of this USD 150 billion, the issuers we have screened and approved represent slightly over 50% of the volume, or around USD 80 billion. Note that for the remaining, this includes issuers that we have not assessed, and therefore could increase over time.

CASE STUDY

Proprietary ESG ratings for ILS and Cat Bonds

Context

Fermat's[4] Investment Committee reviews all Rule 144A catastrophe bonds when they are announced to determine if they would be appropriate investments for Fermat's clients. Part of this review includes giving an ESG rating.

Activity

All potential investments for the fund are analysed by the Investment Manager before investment and are assigned an ESG rating with respect to their overall structure, rationale and quantitative elements as part of the investment process. The internal rating system is as follows:

1. **Positive** – an investment which contributes to the furtherance of environmental characteristics (such as contribution to environment or to environmental resilience, sustainability, and awareness), social characteristics (broadening mutual sharing of risk) and/or good governance benefit tailored to the asset class (i.e., good risk governance, such as the sponsor demonstrating advanced risk management or meeting high standards in risk transfer disclosures to provide greater transparency and accountability in a (re)insurer's, corporate's or a government's disaster preparedness and response).
2. **Neutral** – an investment which is judged overall to contribute neither positively nor negatively to the criteria defined above.
3. **Negative** – an investment or sponsor which makes an explicit negative environmental or social impact, or where the investment enables the sponsor to continue negative environmental, social or poor risk governance practices. While rare in the ILS market, the sponsor may have adverse sustainability impacts, or attempt to subvert transparency standards in ILS risk disclosures. ILS rated as negative are not eligible investments for the fund.

Outcome

As of 31 December 2022, the breakdown by market value across all the four ILS strategies is approximately 90% positive and 10% neutral. Companies assessed as negative were not included in our strategies. No bonds were rated negative in 2022.

[4]Fermat is a sub-delegated investment manager, managing GAM funds.

CASE STUDY

Pre-investment ESG review – Astra International (Equity)

Context

One of our Equity investment teams was looking to build a potential position in PT Astra International, one of the largest diversified conglomerates in Indonesia. The company operates across the following segments: Automotive, Financial Services, Heavy Equipment and Mining, Agribusiness, Infrastructure and Logistics, Information Technology and Property. Before taking the decision to invest, the investment desk looked for the Responsible Investment team's input on controversial ESG involvements of the company and other ESG concerns the team may have.

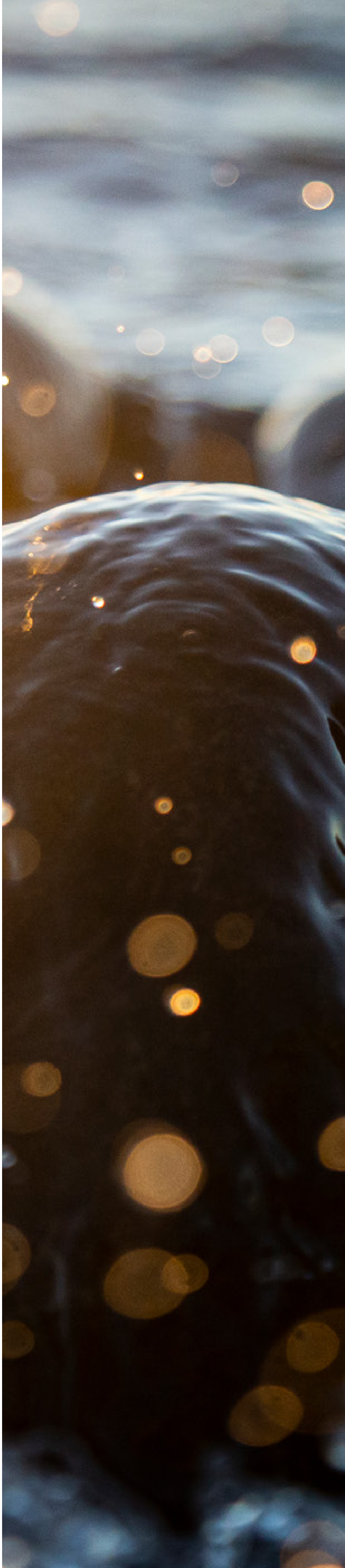
Activity

We ran an analysis of the controversial involvements within the company's operations, and found that the company derived a certain percentage of its revenue from palm oil production through its Agribusiness segment. Its subsidiary PT Astra Agro Lestari Tbk is the second largest palm oil producer in Indonesia. In the past few years, we noted that this subsidiary had been facing various controversies for its impact of its operations on deforestation and biodiversity in Indonesia.

We then conducted a full ESG review of the company using our proprietary ESGVector research model to better understand its overall ESG risk profile. Our review found that its climate risk management was lagging behind peers as it provided almost no information on GHG reduction target emissions or net zero plans. On biodiversity, which was flagged through the screening process described above, we found overall disclosure to be limited and we were concerned that these risks were not appropriately mitigated through relevant policies and initiatives. We also highlighted potential governance risks for shareholders due to the controlled governance structure of the PT Astra.

Outcome

Based on the conclusion of this ESG review, the investment manager chose not to invest in the holding. The primary reasons were the significant environmental impact and limited policies or disclosure, particularly in relation to the Company's climate or biodiversity strategy.



CASE STUDY

Sovereign – ESG in investment decisions

Context

The Global Rates strategy considered environmental and social factors as part of the investment process. The team took the decision on 15 September 2020 to reject Turkey from the strategy's investable universe on ESG grounds. Correspondingly, there has been no exposure to Turkey (on a gross or net basis) within the Global Rates portfolio since then.

Activity

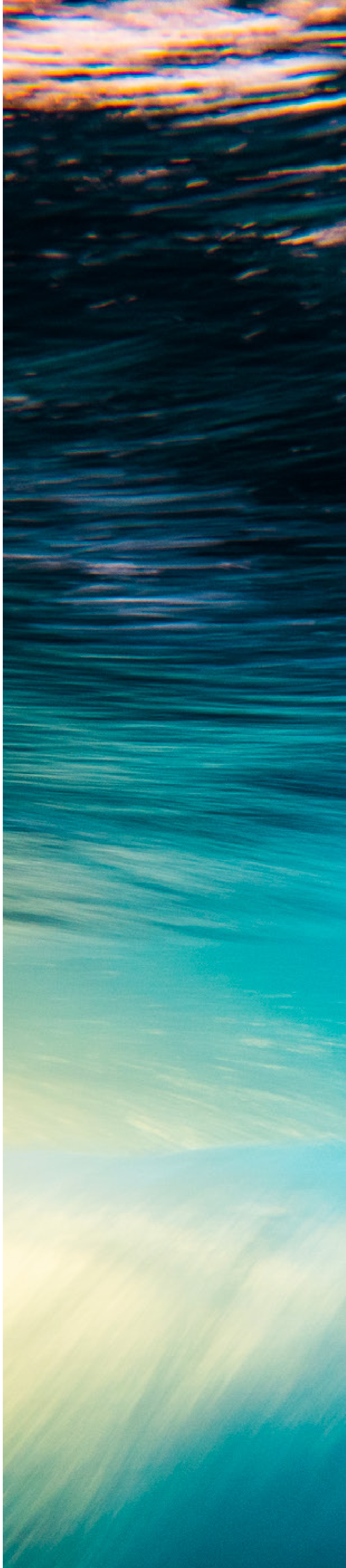
The decision to reject Turkey was influenced by concerns over Social factors. The Global Rates Country Sustainability Summary specifically cites the dramatic erosion of its rule of law and democracy framework and highlighted the team's concerns over the adoption of Law no. 7145 in 2018 which extended powers relating to the dismissal of public servants.

The decision to reject Turkey was prescient as aspects of governance further deteriorated in Q1 2021. In particular, the dismissal of the Central Bank Governor highlighted the increasing authoritarian nature of the presidency and the erosion of governance and policy-making independence.

The political landscape in Turkey still hinders banks' ability to provide liquidity and take risk. Although local banks are able and willing to provide liquidity, this typically requires documents and legal agreements to be put in place before being able to trade. In 2022, periods of extreme stress in global markets, including Russia's invasion in Ukraine, further reduced banks' willingness to hold inventory for any period of time and take on risk by providing liquidity. As a result, bid and offer spreads widened notably at various points throughout the year.

Outcome

Turkey remains excluded from the Global Rates investable universe.



STEWARDSHIP CODE PRINCIPLE 8

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

Activity

We work with a range of service providers to support our stewardship and investment management activities. We carefully select and monitor our service providers to ensure they are meeting our needs and those of our clients.

Proxy voting research and administration – we retain the services of proxy advisor (ISS) to assist in implementing and administering proxy voting. ISS provides written analysis for each company resolution based on our Corporate Governance and Voting Principles, but the ultimate voting decision is made by GAM. GAM's funds are set up on our voting platform by our investment services team, which also sets up Power of Attorney in relevant jurisdictions. Effective vote execution is monitored with the support of ISS, informing us of additional administrative requirements we must fulfil to cast our votes.

The Responsible Investment team will instruct votes manually across all our portfolios after reviewing ISS vote recommendations based on our custom policy. This process allows us to closely monitor the implementation of our voting policy and ensure it is executed accordingly. If we notice any discrepancy or concerns in the proxy advisory research, we have a direct line of communication with the ISS research team.

ESG data and analysis – ESG data is becoming ever more critical for our stewardship activities and regulatory reporting. In particular, the SFDR has placed a significant focus on the quality and availability of specific ESG data points. We meaningfully expanded our ESG data provision in 2021, focusing on climate and involvement in controversial activities. We will be undertaking a periodic review in 2023.

We actively review new ESG data providers – in particular in the areas on impact, climate and SFDR disclosure – to better understand the market offering, which has evolved considerably over the last 18 months. We also provide feedback to our current research providers on new or updated methodologies or analytics.

As our ESG tools and analysis framework have improved over 2022, we are reviewing ESG data in more granular detail. Where we identify any data quality concerns, we log these internally and contact the service provider with the error or feedback.

External investment managers – our Investment Management Oversight framework includes operational due diligence and risks, investment risk oversight and operational risk, which is ultimately overseen by the Group Investment Management Oversight Committee and Risk Oversight Committee. Oversight is informed by quantitative performance, risk reporting and in quarterly performance/risk review meetings. Additional oversight measures are the monthly production of key performance indicators (KPIs) and onsite operational due diligence visits.

We first introduced an annual External Investment Manager (EIM) ESG review in 2021 and have used this as the basis to build on the 2022 review. The purpose of the review is to assess each EIM's ESG integration into the investment process as defined in the relevant pre-contractual documentation. The Responsible Investment team continues to provide guidance on how ESG should be implemented and controlled in line with GAM's expectations. The review considered the overall approach to ESG integration including areas such as policies and procedures, skills and resources, regulatory considerations alongside monitoring and controls. A questionnaire is completed by the EIMs on an annual basis in conjunction with regular communication between GAM's Responsible Investment team and the EIMs.

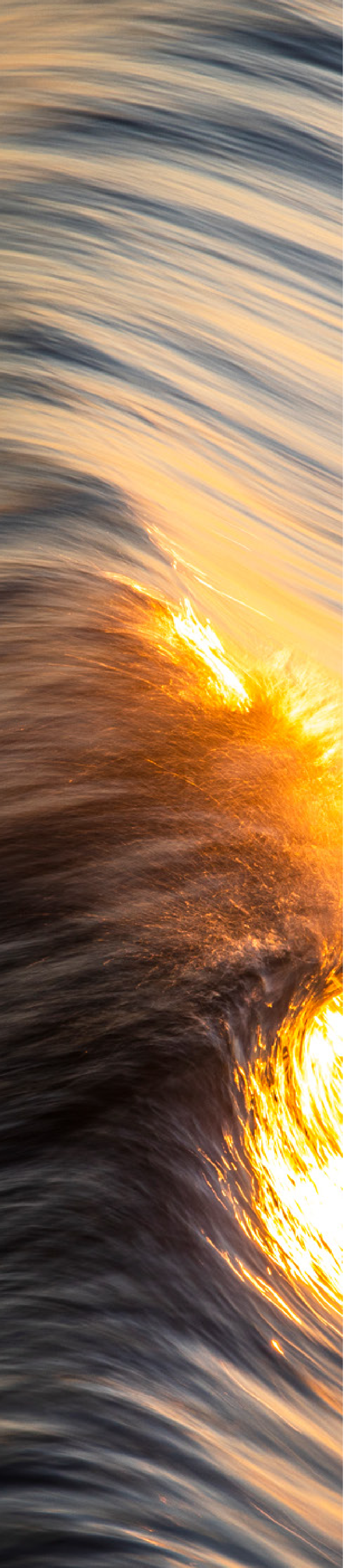
Outcome

Overall, we are satisfied that the services provided to us in 2022 enabled us to deliver effectively on our stewardship activities. However, we recognise the importance of on-going monitoring and communication. This means we will routinely flag any errors we find or seek clarification where necessary. Most of these issues are promptly addressed (see case study below). On occasion we will disagree with an assessment (as in the VW case study in Principle 11). We consider this engagement with our service providers to be an important contribution to improving the overall quality of ESG data provision.

The increasing influence and cost of ESG data and ratings is an industry wide issue. In December 2022, the UK FCA set up a new independent group - the ESG Data and Ratings Working Group - to develop and follow a voluntary Code of Conduct on ESG data and ratings. We are planning to provide feedback to this group via our membership of the Investment Association in 2023 and will continue to engage directly with providers and regulators.

For our external investment managers, we are satisfied with their services based on the annual review and periodic meetings as outlined above. We will continue to work with both the investment managers to strengthen ESG integration and stewardship, and with GAM's Investment Business Management to enhance the oversight framework.

In 2023, we will add specific ESG related key risk indicators (KRIs) confirming adherence to the environmental and social characteristics of the specific funds managed by the EIMs to the monthly KRI attestations. These are provided to Investment Business Management to enhance ongoing monitoring and oversight.



CASE STUDY

Improving ESG data quality

In 2022, we engaged with our key ESG rating providers on at least a monthly basis. The reason behind these engagements was to stay up to date with any methodology changes and ensure we had a forum to raise any concerns regarding the data. We also created an internal central tracker for users of the service providers, so we could log any issues and importantly, track the progress on how the situation was handled by the provider.

One example of an engagement we had with a ESG ratings provider was regarding Pernod Ricard's total recordable incident rate (TRIR). As part of our in-house ESG review, we noted some discrepancies between our research and the providers' data. We also conducted a sector review, which illustrated that the company was an outlier. Upon investigation, the service provider stated that data sources they used to collect the information was unreliable, sometimes pertaining to lost time and not recordable injury. As a result of this, the provider removed the TRIR figure from the company.

In early 2023, we sent a summary email to our main ESG rating provider. The goal was to highlight any improvements that we would like to see and any other issues we identified in late 2022. This is yet another interaction with the provider that we expect to continue in the future.

Overall, we were satisfied with the reactiveness of our data providers, but it also reinforced our belief that we need to actively review the data and research from service providers.

ENGAGEMENT

STEWARDSHIP CODE PRINCIPLE 9

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

Activity

We define engagement as active and purposeful dialogue with current or potential investment targets, such as companies, government and municipalities with the underlying objective to meet our stewardship obligations to protect and enhance long-term investor value for our clients. It can serve different purposes, such as supporting pre-investment research and analysis, monitoring, addressing specific concerns or advocating for changes. The topics covered during engagement activities will generally include strategic financial, operational or ESG considerations with a clear emphasis on materiality and long-term value preservation and creation.

Selection & prioritisation – by its nature, pre-investment engagement is driven by our investment strategy where a potential new investment is identified and routine monitoring engagement is typical for all active holdings, in particular as we review annual or quarterly results. The identification of companies where there is a specific concern or where we have identified an area for improvement will generally be driven by our periodic fund level ESG (now informed by principal adverse impacts as defined under SFDR) and proxy voting analysis (for equities only). We will tend prioritise based on where we consider the greatest risk to be such as any companies flagged for poor performance, companies that lag their peers on particular topics or where we have overweight or significant exposure. We will also identify thematic engagement priorities, for example on climate change or deforestation, which will be informed by our aggregate exposure or for a particular geography such as diversity on Japanese Boards. Our ESG enhanced reports will also flag companies with particularly low ESG scores or controversies.

Objective setting – we characterise in four high-level categories, reflecting the primary objectives - pre-investment research, monitoring, addressing concerns and driving change. We will generally have a specific area of focus for the first two categories and will set objectives for the latter two categories, once initial ‘exploratory’ engagement to establish the companies’ views, practices and plans on a particular topic. For thematic engagement, we tend to establish an engagement framework to inform these engagements.

Engagement methods – our choice of engagement approach will differ depending on a wide range of parameters: the time-horizon of the investment team, the materiality of the engagement topic, the existing relationship with the issuer, the size of our holding, the markets in which we invest and the asset type.

Each type of engagement will provide different benefits and limitations. Our preferred approach across all our active funds is to complement our traditional direct engagement activity with collaborative and public policy engagements.

- **Direct engagement** – 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 periodic/regular basis. This may include one-to-one or group meetings, letters, emails or calls. We conduct our engagements in a pragmatic, diplomatic and positive manner, seeking solutions, and appropriate specific actions from businesses. Our interactions will often be with senior management, but we also engage with non-executive directors on various issues from time to time.
- **Collaborative engagement** – investor collaborations can be enormously effective in signalling the importance of a key topic to companies, such as climate change or human rights. We select collaborative engagement initiatives where we consider these to be complementary to or more effective than direct engagement.
- **Public policy engagement** – policy and regulation are fundamental to well-functioning markets and play a critical role in setting the appropriate incentives and disincentives to drive corporate action on sustainability challenges such as climate change. Investor collaboration on public investors statements can have a critical role in influencing government or regulatory action. We engage on policy uses through the PRI Global Policy Reference Group, the Institutional Investor Group on Climate Change (IIGCC) and the UK’s Investment Association.

Across asset class and geographies

- **Listed equities** – equity investment teams will routinely communicate with investee companies as part of their monitoring and research activities. We tend to favour direct engagement either through one-on-one meetings or small group meetings but also use written forms of communication (i.e., letters or emails) to set out our questions and expectations. These types of two-way interactions allow our teams to gain additional insight and knowledge of a company, while allowing us to communicate our expectations and raise concerns directly with senior management or directors. Collaborative engagement is important where we feel this will add to the effectiveness or our engagement. Proxy voting is used alongside engagement to highlight our views or for escalation purposes.
  Corporate fixed income – pre-investment engagement is an essential part of our due diligence process and stewardship activity. It helps us to make better informed investment decisions by allowing us to better understand the purpose of the bond, the use of proceeds and the quality of the corporation issuing the bond. Engagement prior to the issuance of a bond provides us with an opportunity to engage and at times influence the covenants or the structure of the issuance. For our green bond strategy, we engage with issuers on their own strategy and practices, the structure and management of their green bond and the reporting on use of proceeds. While bondholders do not carry the same influence as shareholders once invested, especially due to the lack of voting rights, ongoing communication with a company is still very important as most companies need to reissue at maturity and we find that it helps companies strive to keep bondholders onside. It may also impact our perspective positively or negatively on their future bond issuances from the same organisation.

- **Sovereign fixed income** – direct engagement opportunities in the sovereign fixed income space are generally limited but investment managers will still take the opportunity to engage on specific policy developments and concerns. Affecting change can be difficult due to the highly dispersed nature of the investor base in sovereign debt. Generally, our approach to engagement is mostly focused on risk management and due diligence prior to investment. Our engagement activity consists mostly of research trips and engagement with government departments, treasury representatives, policymakers, central banks and other institutions. Policymakers often welcome dialogue with investors in order to maintain or enhance their market access as well as preserve access to competitive funding. Participation in collaborative engagement initiatives, through investor forums and industry bodies, as well as public investor statements can be effective.

- **Other asset classes** – engagement with issuers also applies to other asset classes but can vary significantly depending on the type of assets. Our approach will be to engage on a case-by-case basis and add value to the investment process.

- **Geographic differences** – a number of our funds are ‘region-specific’ so the approach to engagement in a specific fund will often be closely linked to its investment universe. We are mindful of language and context when raising specific issues with companies, and find that companies across geographies are becoming more receptive to engagement. However, in emerging markets in particular, establishing engagement with management may take more time - due to various factors such as shareholder control, shareholder rights and language barriers - and so we also use written engagement and participation in collaborative engagement initiatives, such as the Asian Corporate Governance Association, to facilitate engagement with companies.

Outcome

We have continued to improve our recording of engagement activities across our investment strategies, allowing improved tracking of relevant data points such as Engagement topics, ESG engagement activity, Engagement objectives and Engagement Outcomes.

Over time we have been mindful of some of its limitations of our engagement recording tool when it comes to monitoring certain points such as objectives and outcomes. Engagement objectives and outcomes are generally company specific and are rarely attached to a single meeting. This tool records each meeting individually and it is often challenging to link a single company meeting, in isolation, with a direct outcome. For example, a decision to invest, divest or reduce a position will rarely be the result of a single meeting but a combination of multiple factors. However, this tool stills allows us to understand how our investment team engage and on which topic, while also being able to flag specific meetings where certain objectives or outcomes might have been achieved.

Table 1: Number and type of engagements

	2021	2022
Direct Engagements	1047	830
Of which 1-on-1 meetings	428	391
Of which group meetings	619	439
Unique companies directly engaged with	752	508
Engagement including ESG discussion	381	255

Source: GAM. As at 31 December 2022

CASE STUDY

Sector focus: European oil & gas

Objective
Assess and influence net zero strategies of European oil and gas majors.

Asset Class
Equities

Context
The transition to a low carbon economy requires significant transformation of the energy sector, presenting both risks and opportunities, as they deliver on their net zero commitments. This challenge is heightened within the context of energy security and affordability.

Activity
To better assess and engage effectively on this topic, we conducted a detailed review of the climate strategies of four European oil and gas majors. The analysis focused on key areas including:

- Carbon emission reduction targets (Scope 1/2/3 and carbon intensity)
- Methane emission and routine flaring targets
- Expenditure targets for renewables and transition energy (R&D expenditures, Capex, Opex)
- Ambitions around carbon capture, storage and offsets
- Renewable energy capacity and targets
- Links between climate ambitions and management compensation

We used this review to guide our engagement and voting and met with all four companies during the first half of 2022 to discuss our findings.

Outcome
We welcomed the large investments in renewable energy that we are starting to see committed and deployed. On average between 30% to 50% of the companies' capex over the next 5 to 10 years is funding renewables and low carbon investments, and there is a closer link between annual bonuses/share awards and specific environmental objectives. However, achieving meaningful Scope 3 emissions reductions will depend on a shift and reduction of demand, not just of supply. It is imperative that any decarbonisation is delivered in the real economy and not achieved through disposals to less scrutinised owners. We will continue to engage in 2023, reflecting our views in response to transition plans put to shareholder vote, focusing on how Scope 3 emissions are reduced and the strengthening of alignment of net zero targets with incentives.

CASE STUDY

Ryanair: striving for the highest standards in aviation industry

Objective
Setting science-based targets and improving Board diversity.

Asset Class
Equity

Context
Ryanair has been a long-term holding for our European Equity investment team, and over the past few years we have conducted and maintained an active dialogue with the company. Recently, our research highlighted two areas of potential improvements in terms of its ESG practices – carbon targets and board diversity.

Carbon emissions from airlines are significant and the sector decarbonisation pathway is challenging. Ryanair has been a leader among airlines in tackling carbon emissions, such as its use of Sustainable Aviation Fuel, but we found its environmental strategy would welcome accreditation from credible third parties.

Diversity: We noted that the Board of Ryanair was only comprised of Irish and British directors, lacking diversity in terms of nationalities. For a company with operations all over Europe and with an extremely diverse workforce, we considered this to be a weakness in board composition and a potential risk to the Board's ability to oversee Ryanair's operations effectively.

Activity
We maintain a direct dialogue with Ryanair to understand how it addresses these challenges. At the end of 2021, we met with the company's Sustainability team to discuss its general ESG strategy. We specifically raised the following two expectations:

- We encouraged the company to commit to the Science-Based Targets initiative (SBTi) – which had just published its guidance for the airline industry in August 2021[4] – in order to reinforce the credibility of its climate strategy and align with commitment from some of its direct competitors. At the time, the team informed us they were actively in discussion with SBTi to better understand their guidance and were considering committing to the initiative. We welcomed that the company was pro-actively in dialogue with SBTi and that it was taking the time to understand the new guidance and its impact for the company.
- We strongly encouraged Ryanair to increase cognitive diversity by having a more multinational board. We consider that the addition of appropriately experienced and skilled Continental European nationals would also add local insights to the Board. We highlighted that Ryanair's flight staff was far more representative of its geographic footprint.
- In September 2022, ahead of the Ryanair's AGM, we engaged with the company again since we noted that the Board standing for election had not changed in terms of diversity. We re-iterated our expectation to see a more multinational Board through the appointment of Continental European Nationals.

Outcome
In July 2022, Ryanair officially committed to SBTi to have its targets validated to their standards over the coming two years. We welcomed this progress and will monitor the implementation of its new target. We will continue engaging with the company on its carbon reduction initiatives.

In March 2023, Ryanair also announced the appointment of Elisabeth Köstinger to its Board, an Austrian citizen, and former Austrian Minister for Agriculture, Sustainability and Tourism. In its announcement, Ryanair highlighted that she is its first Continental European Board Member since 2013.

[4] https://sciencebasedtargets.org/resources/files/SBTi_AviationGuidanceAug2021.pdf

CASE STUDY

Empiric Student Property – long-term engagement for improved disclosure

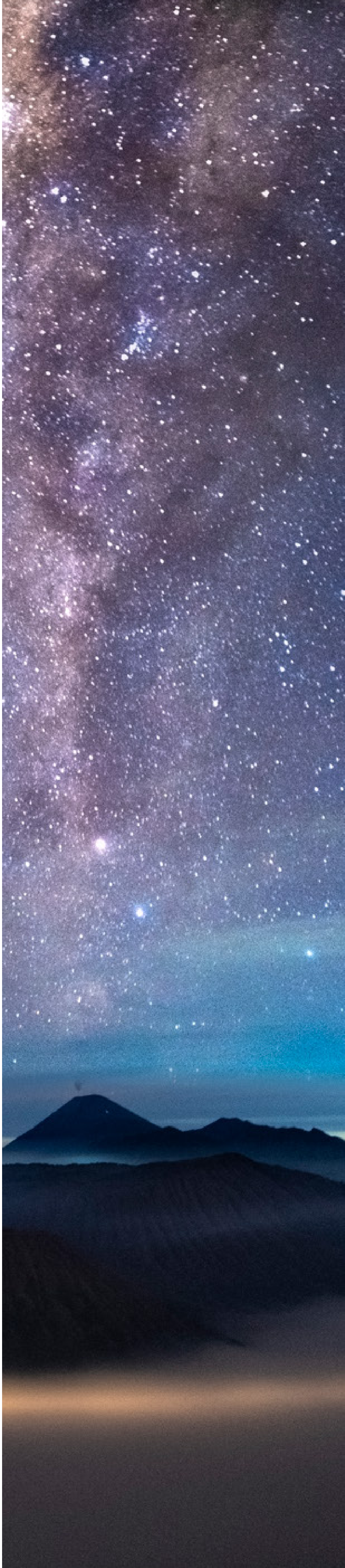
Objective
Improving ESG disclosure.

Asset Class
Equity

Activity
In November 2021, as part of our ESG review process, we identified some weaknesses in the company's approach to ESG, mainly due to lack of disclosure, especially regarding material topics such as human capital development and green buildings. Following this review, we met with the Chief Financial and Sustainability officer to discuss the company sustainability strategy and roadmap. We encouraged the company to focus on these two issues which we considered material for this business. Empiric was transparent in stating that it is still in the process of understanding ESG but is investing heavily in the area to step up their practices. The company communicated its plan to improve disclosure during 2022 with a clear strategy it was currently building. The company was in the process of conducting a materiality assessment, which we welcomed. Since then, the team has continued dialogue with management, meeting the CEO in 2022 and re-iterating its desire to see greater ESG disclosure.

Outcome
Empiric has clearly focused its efforts on ESG and has produced a solid starting point for future annual reporting on their ESG targets. In March 2022, the company published its Annual Report, outlining four key focus sustainability themes: Becoming a sustainable business, Health and safety, Mental health and wellbeing and Providing opportunities for all. These themes were selected as the outcome of the materiality assessment. We welcomed the focus on employee development through the last two themes. Underneath all these focus areas, the company has set the goal for the year 2022, to set clear targets to address employee satisfaction, well-being and diversity.

In August 2022, the company published its ESG roadmap and improved disclosure, including its net zero strategy. This included commitment to be net zero by 2033, through the decarbonisation of its buildings. In terms of buildings' energy efficiency, it has also targeted 100% of buildings to be EPC B or above by 2030 (50% by 2025) as well as measuring life carbon of all new development projects by 2025. We welcomed this new strategy with clear and precise short-, medium- and long-term targets.



CASE STUDY

Shimano: Pushing for improved Board composition

Objective
Improving Board gender diversity.

Asset Class
Equity

Context
Our Japanese Equity investment team has been holding a long-term investment position in Shimano Inc. The team identified the lack of women, the insufficient independence on the Board and size of the Board as a potential governance risk for the company. In 2020, there were 16 directors on the Board, only 3 of which who were independent (19%) and none were women. We looked to address these concerns through active voting and engagement.

Activity
In 2020, as part of the implementation of the new GAM policy regarding board independence and diversity for Japan, we voted against the Chairman of the company due to the concerns above. We also voted against the specific appointment of a new executive director to the Board which was increasing the number of Executives on the Board to 13.

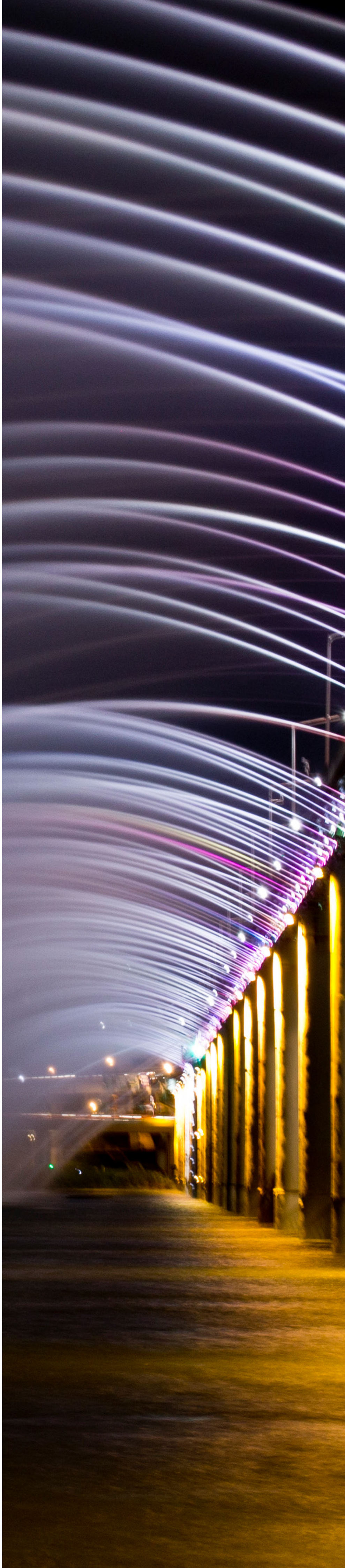
In 2021, the team raised these concerns directly to the company through engagement – highlighting that GAM will continue opposing directors if these are not addressed.

In 2022, we noted improvements in Board composition, as independence level doubled (38%) following a reduction of board size by half. This was a welcomed improvement, but we maintained our vote against the nomination committee chairman as there were still no women on the Board.

At the beginning of 2023, the Board appointed the first woman to the Board and we supported all resolutions at the 2023 AGM. While not considered independent, we welcomed her addition to the Board in line with our expectations.

Outcome
Over three years, the concerns we highlighted through voting and engagement were all addressed by management:

- Overall independence increased from 18% to 33%.
- Board size was reduced from 16 to 9.
- Gender diversity improved with the appointment of the first female director.



CASE STUDY

Insurance Linked Securities (ILS)

Objective

Improve transparency in ILS offering material.

Asset Class

Insurance-linked securities

Context

One of our engagement themes with re/insurers focuses on the idea of introducing look-through disclosures in ILS offering material, i.e., information on the underlying types of commercial businesses being re/insured within the offering's subject business, with sponsors we believe could be receptive and are in a position to become early movers in this arena. The aim of improved look-through is to have a better understanding of where ILS capital is flowing and the types of businesses it supports. Such look-through disclosure is currently not given in the ILS space nor standard in the reinsurance market. Indeed, we believe many re/insurers do not currently systematically collect the information required to even provide such disclosures. We therefore anticipate that these engagements will be, in general, multi-year dialogues with sponsors.

Activity

In summer of 2022, we had a meeting with a relatively new regional insurance company that recently sponsored its first cat bond. The sponsor stated that it planned to start writing and scaling its small commercial insurance business. In the meeting we suggested that as it starts writing new commercial business it should track the types of businesses that it is insuring so that one day it would be able to provide look-through disclosures to investors.

Outcome

In early 2023, the insurance company issued its second cat bond. In the offering circular of the bond, there was a new ESG disclosure statement clearly stating the types of commercial businesses that the sponsor does not underwrite, and which are therefore not included in the bond's subject business. While the sponsor had only recently started underwriting small commercial business – and therefore it may have been easy to disclose such information for a limited book of business – anything disclosed in a Rule 144A security offering must be accurate and, critically, auditable. This meant the sponsor set up an internal system to track such information, which it plans on continuing as it grows its business. As far as we know this is the first sponsor that writes commercial business to make such a disclosure in a cat bond to investors, setting a new standard in look-through disclosure. The sponsor confirmed that the idea of providing such disclosure to investors – and the work required to be able to do so – was following the suggestion of Fermat in the meeting the previous summer.

CASE STUDY

Adani Ports and Special Economic Zone – collaboration across asset classes

Objective
Understand the recent divestment from a controversial coal mining project and their level of independence from the controversial parent company.

Asset Class
Equity and corporate fixed income

Context
The Indian headquartered infrastructure company is the largest commercial ports operator in India accounting for nearly one-fourth of the cargo movement in the country. The company recently divested from a controversial coal mining project, so we were keen to understand if there were any legacy arrangements that meant it continued to be involved. It was held across our listed equity portfolios and corporate fixed income.

Activity
We engage with management on a regular basis, predominantly through one-to-one discussion. Financial and ESG feature in our conversation with company management and, in 2022, this included discussing the company's recent divestment in a controversial coal mining project. This engagement was a collaboration between Investment Managers from listed equity and corporate credit, alongside the Governance and Responsible Investment team. We were eager to understand the context surrounding the divestment and how the company viewed its longer-term sustainability strategy. We learnt that the company has taken substantial steps to enhance their sustainability strategy and implement appropriate incentives throughout the business. Although, the company acknowledged the risks and reputational damage from its involvement in the coal mine, it is hopeful that longer-term, the company's carbon neutral ambition by 2025 and other sustainability targets will take over the narrative.

Outcome
The company is at the start of its transition to become more sustainability conscious. The company views sustainability as a competitive advantage, believing it will help it better manage its operating and financial costs, brand reputation, and capital availability, thereby enabling higher growth. Despite the clear improvements, we expect the company to continue to face headwinds in the short term. Our investment managers on both the listed equity and corporate credit side decided to sell out of this company for strategic reasons, but we will continue to periodically engage with management to monitor the progress being made.

CASE STUDY

Engaging with Barclays on their fossil fuel financing

Objective
Better understanding of Barclays involvement in fossil fuel financing.

Asset Class
Corporate Fixed Income

Context
Our green bond assessment framework includes an analysis of the issuer's ESG strategy and in particular its net zero strategy, including policies for fossil fuel financing (covering both thermal coal and other fossil fuel policies consistent with the Paris Agreement targets) that is compatible with the Paris Agreement target. We initially engaged with Barclays after sending out a formal letter setting out our expectations for banks and our tailored assessment of the issuer.

Activity
The group's policy on fossil fuels, especially on coal, was discussed at length. The group updated its coal policy in March 2022, which addresses some concerns (such as explicit phase-out strategy and lowering of thresholds) however this remains well below best practice. On fossil fuel financing, the team emphasises the willingness to finance the transition, and that volumes of fossil fuel financing had declined in 2021. The group performs has set targets for the most GHG-intensive sectors and performs enhanced due diligence, and has introduced an internal carbon budget that will decline over time for underwriting.

On green financing, their GBP 100 billion target of financing specifically focused on green activities by 2030. was set a few years ago when visibility was lower and is now being revised. To set the new target, there will be particular focus on (1) taxonomy (what is eligible) (2) granularity (green vs. other sustainable) and (3) disclosure, and the scale will be carefully considered in terms of target versus ambition.

We also discussed the Board's expertise as it relates to climate matters and whether there is specific training. Management pointed out that; (1) one Board member is the previous CFO of BP and has significant climate expertise (2) interactions with the executive committee (where expertise has been ramped up) on climate related issues has increased which therefore means more exposure to the Board (3) climate-related issues are discussed at every board meeting.

Outcome
We welcomed the transparency from the company and were pleased to hear that this topic was top of its agenda. We will continue to monitor the company's progress and engage where necessary.

CASE STUDY

Engaging with the Federal Reserve Bank of New York

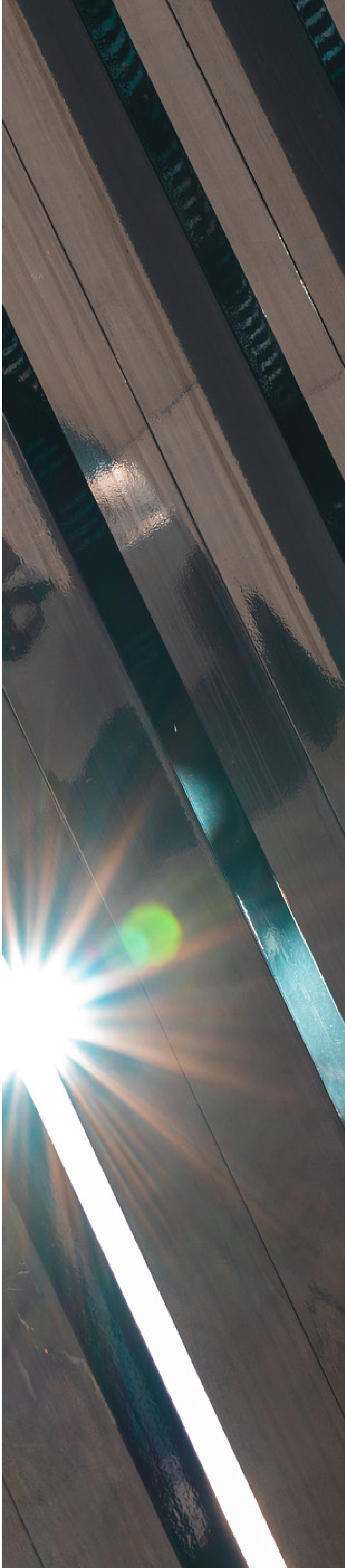
Objective
Understand the Federal Reserve's view on Inflation and Geopolitical Tensions

Asset Class
Global Currency

Context
Our Global Rates Team regularly join investor roundtables with sovereign policymakers to address macro concerns and get a better understanding on direction of travel.

Activity
In March, we joined an investor roundtable with the Federal Reserve Bank of New York. The focus of this conversation was on inflation and geopolitical tensions. We were pleased to hear that there was clear attention being paid to how the current environment would affect low-income households.

Outcome
The Federal Reserve believes that tackling inflation to sustain economic momentum will ultimately outweigh the negative impact of higher interest rates on lower income households. From an investment perspective, this further served to signal US policymakers' intent to raise the Federal Funds rate and the vulnerability of US fixed income.



STEWARDSHIP CODE PRINCIPLE 10

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

Investor collaborations can be enormously effective, signalling the importance of a key topic to companies, such as climate change or human rights, and provide an effective way to achieve specific stewardship outcomes. We leverage this approach, leading or supporting on selective collaborative engagements.

Activity and Outcomes

The majority of our collaborative engagement is focused on achieving specific engagement objectives in companies that we hold and where we believe a collaborative approach will be more effective, either to signal the strength of investor support or engage in companies, such as in emerging markets, where this can be more challenging. We are also increasingly focused on collaborative engagement – either through specific initiatives or industry associations – to support public policy engagement. Examples in 2022 included:

Climate Action 100+

Initiative and issue: Climate Action 100+ is the world's largest and most influential shareholder engagement which urges the biggest 166 corporate GHG emitters to take action on climate change. The Net Zero Company Benchmark, launched in March 2021, assesses the performance and progress of focus companies against the initiative's three high-level goals - emissions reduction, governance, and disclosure,

Contribution: in 2021, we joined Climate Action 100+ investor engagement groups for five companies. We are continuing as the lead for one company, and support for three others. Our active engagement with one Russian company has paused until further notice. Throughout the course of last year, we continued to engage collaboratively with these companies on net zero objectives. A case study of our engagement with one of these companies is provided below. We also sit on the Global Steering Committee, attending regular meeting to guide key deliverables such as progress reports, and benchmark developments and updates. In 2022, the key focus was signatory engagement to inform phase two of the strategy from mid-2023.

Outcome: as of October 2022, the collaboration has already encouraged 75% of the 159 highest-emitting focus companies in the world to commit to net zero by 2050. This increased from 52% in 2021. The group continues to monitor progress through its detailed net zero company benchmark. While good progress has been made, the desired outcome has not yet been achieved which lack of progress on key areas including short and medium-term emissions reductions targets, quantified strategies to deliver on their commitments and alignment of capex strategies. The initiative will enter into Phase 2 in 2023.

Case study: Compagnie de Saint-Gobain – CA100+ collaboration

Context: Compagnie de Saint-Gobain manufactures glass products, high-performance materials, and construction materials. The company is currently undergoing transformation to become an industry leader in sustainable construction material. Through its assessment of St-Gobain's short-, medium- and long-term GHG reduction targets, CA100+ recognised the company as having a strong climate strategy. However, there were potential areas CA100+ identified where investors should engage on with the company.

Contribution: At the beginning of 2022, we joined the CA100+ engagement investor group focused on St -Gobain as the lead investor. We held regular meetings with the company, who welcomed this initiative as an opportunity to focus discussion on ESG with an investor group.

The investor group engaged extensively with St-Gobain on several topics flagged by the CA100 assessment.

- Lobbying activities: CA100+ expects companies with material carbon footprint to adopt a Paris Agreement-aligned climate lobbying position and Paris Agreement-aligned lobbying expectations for its trade associations. St-Gobain is member of a large number of trade associations in the various countries it operates – making such commitments challenging. We voiced our expectations for the company to set up a lobbying policy and work towards monitoring its trade associations membership.
- Compensation: We engaged with the company to make sure it strengthens its remuneration policy so that it links executive pay with climate targets.
- Capital Alignment: We highlighted our expectation for the company to have a public commitment to align its capital expenditure to its net zero decarbonisation plan.

Outcome: We welcomed the effort St-Gobain has undertaken to become a sustainability leader in its industry. In September 2022, St-Gobain saw its GHG emission reduction targets to achieve carbon neutrality by 2050 approved by the SBTi. We consider this to be a remarkable achievement and are confident in its ability to set up a credible climate strategy. We see our role in this specific collaboration as a group facilitating the dialogue between St-Gobain and CA100+, rather than investors directly engaging.

One positive outcome of 2022 is that St-Gobain met our expectation to link its executive compensation plan to climate targets. We are liaising with CA100+ and Transition Pathway Initiative (TPI) to ensure the future company's assessment reflect this development.

We also gained better understanding of the challenges faced by the group to set up a lobbying policy, which include being a member of a trade association. We are hoping to see positive developments soon, but understand that it will not happen immediately.

Given our investment team is comfortable with the positive engagement from the company and the progress made so far, our decision is to remain invested.

Digital Inclusion Collective Impact Coalition (CIC)

Initiative and issue: in September 2022, the World Benchmarking Alliance (WBA) launched a Collective Impact Coalitions based on their Digital Inclusion Benchmark focusing on the implementation of policies and mechanisms to ensure the ethical development and application of Artificial Intelligence (AI) guided by respect for human rights.

Contribution: in April 2022 we joined 25 investors in signing the Investor Statement on Ethical AI. We are also part of investor groups for two of the focus companies.

Outcome: based on the initial benchmark released in March, only 20 out of the 150 digital technology companies had disclosed their commitment to ethical AI principles publicly. In 2022, one of the focus companies published its Ethical AI policy. We are still engaging with the second company.

PRI Advance

Initiative and issue: Advance is a collaborative engagement initiative launched by the PRI in December 2022 to take action on human rights and social issues, to drive positive outcomes for workers, communities and society. The three key expectations are 1) to implement the United Nations Guiding Principles on Business and Human Rights (UNGPs), 2) align their political engagement with their responsibility to respect human rights and 3) deepen progress on the most severe human rights issues in their operations and across their value chains.

Contribution: We publicly endorsed the initiative at its launch, signing the investor statement, and are Collaborating Investor for two companies within the 40 metals & mining and renewable companies initially targeted within the initiative.

Outcome: Given the recent launch of the initiative there are no specific outcomes to report, however the launch of initiative has already raised the profile of human rights as an investor issue. We have started to collaborate with other investors to identify priority issues to bring to targeted companies.

Finance Sector Deforestation Pledge

Initiative and issue: Finance Sector Deforestation Pledge (FSDA) is a collaborative initiative across the finance sector to eliminate agricultural commodity-driven deforestation from portfolios by 2025.

Contribution: We joined the FSDA in March 2022 along with 33 other investors with a combined AuM of USD 8.7 trillion and support the engagement of six companies.

Outcome: This initiative has a focus list of 81, with 80% of companies receiving engagement letters and 65% of companies responding to the engagement. 70% of the FSDA signatories have a deforestation policy in place while 19% are working on a policy.

CDP

Initiative and issue: CDP is a non-for-profit global disclosure initiative focused on climate, water and forests, supporting investor engagement through a number of specific engagement initiatives.

Contribution: We became an investor signatory in 2021 and in 2022 participated in the CDP Non-Disclosure initiative (CDP-NDC), contacting 117 companies (33 companies as lead and 84 companies as co-signatory) to complete the Climate, Water and/or Forest disclosure requests as appropriate to their businesses. We also participated in the SBTi engagement initiative, joining investors to encourage 545 high-impact companies to set science-based net zero targets.

Outcome: The 2022 CDP NDC contacted 1,466 companies across the three themes, receiving 388 responses, with an increased likelihood of response at 2.3 times. 90% of 2021 CDP NDC first time responders responded for the second time in 2022. There was an increase in company engagement for the water and forest themes by 35% and 51% respectively, reflecting the increased need for data on nature. Companies in the high emitting sector of transport and power generation were more likely to disclose by 4.6 and 4.4 times respectively. Across Asia there were 141 companies that were first time disclosers, increasing the likelihood of disclosing via the initiative by 2.6 times. CDP SBTi engagement resulted in 381 companies setting SBTi targets with collective emissions of 1.6GtCO2e.

This represents 13% of success rate via this initiative on an emissions basis. The materials sector had the largest uptake on joining SBTi, with 44% of all targeted companies on an emissions basis, while the transportation sector had a success rate of 33%. On a regional basis, 22% of SBTi committed companies on an emissions basis come from Asia while there were 60% more European financial institutions committed to the SBTi on an emissions basis than the previous year.

Public investor statements

Policy and regulation are fundamental to well-functioning markets and play a critical role in setting the appropriate incentives and disincentives to drive corporate action on sustainability challenges such as climate change. Investor collaboration on public investors statements can have a critical role in influencing government or regulatory action. In 2022, examples include:

- **Global investor statement on climate change** – in September, over 500 investor signatories managing around USD 39 trillion in assets called on governments to implement policies consistent with a just transition, limiting global temperature rise to 1.5°C. By signing the statement, we called on policymakers to adopt and implement policies such as: medium and long-term climate strategies, transitioning energy away from fossil fuels, ending deforestation, bolstering climate finance, and strengthening disclosures.
- **Financial sector statement on biodiversity for COP15** – in December, we joined over 150 investors supporting calls for an ambitious Global Biodiversity Framework at COP15 in Montreal, Canada. We were delighted that the Kunming-Montreal Global Biodiversity Framework, made up of 23 ambitious, action-orientated targets was ultimately signed by almost 200 world leaders.
- **US deforestation legislation** – we signed investor letters supporting three pieces of legislation introduced in the U.S. at the federal and state levels, that would work together to reduce deforestation and human rights abuses in U.S. supply chains, namely the FOREST Act at the federal level, as well as public procurement laws in California and New York.
- **Alignment of sustainability disclosures** – in June, we supported a joint WBCSD (World Business Council for Sustainable Development), PRI, and IFAC (International Federation of Accountants) letter calling for stronger alignment of regulatory and stand setting efforts around sustainability disclosures. Since then, we have seen developments by the International Sustainability Standards Board (ISSB), the US Securities and Exchange Commission (SEC), and the European Commission together with the European Financial Reporting Advisory Group (EFRAG). It is critical that we work to enhance and standardise corporate reporting on ESG factors.
- **Gender Diversity in Tokyo Stock Exchange Prime Market Boards** – in October, we co-signed an open letter co-ordinated by the Asian Corporate Governance Association (ACGA) focused on gender diversity within companies listed on the Tokyo Stock Exchange (TSE). The letter suggested a series of targets for accelerating the improvement of board gender diversity focused on TSE listed rules and the Japan Corporate Governance Code. The letter was shared in advance with both the Japan Financial Services Agency (FSA) and Japan Exchange/Tokyo Stock Exchange (JPX / TSE).

Additional initiatives and collaborations

Details of other initiatives we are part of can be found here.

STEWARDSHIP CODE PRINCIPLE 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Activity

Engagement is a central component in the majority of our active investment strategies. This engagement may serve different and often multiple purposes throughout our investment process. We characterise engagement in four broad categories, reflecting the primary objectives: pre-investment research, monitoring, addressing concerns and driving change.

We generally maintain close relationships with the issuers in our portfolios and we aim to have constructive discussions with management and boards to help drive improvements. However, dependent on the issue, objective and materiality we may set specific timelines and escalate when companies are unresponsive.

Escalation can take different forms and will often depend on the engagement objective, the issue being faced, and the type of assets invested in. For equity and corporate fixed income issuers, for example, escalation can consist of directly contacting the board of directors of a company if we are not satisfied with our dialogue with management. We may also leverage collaborative engagement to escalate and encourage the appropriate response. Our engagement approach often involves questioning a company's strategy, business model and economic and business outlook. 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 make progress on matters that we believe are in our clients' best interests, we may consider further escalation, including but not limited to voting against specific resolutions at the AGM, reducing our holdings or exiting an investment.

For equity investors, voting rights can be a powerful tool for shareholders to hold the company to account and are a crucial component of our engagement and stewardship strategy. We regard the ability to influence company decisions by voting a fundamental right of being a shareholder and as a meaningful escalation method.

Outcome

While recognising that attributing an outcome to specific engagement and escalation is challenging, we present the following examples where we have chosen to escalate our engagement and voting in both developed and emerging markets, and how our approach differs between equity and corporate fixed income.

CASE STUDY

Volkswagen – UN Global Compact downgrade

Context

In late 2022, Volkswagen was downgraded to “fail” by MSCI regarding its compliance to the UN global compact, due to allegations of forced labour in their operations and supply chain as part a government scheme in China, more specifically in a plant in the Xinjiang region. This was an existing controversy but followed a change of methodology by MSCI, who subsequently downgraded Volkswagen to “very severe” from “severe”. This was significant as Volkswagen was held in funds that apply an exclusion to companies with UN Global Compact breaches, unless the company has taken significant steps to address concerns.

Activity

Volkswagen received a letter from the UN Human Rights working group requesting information on this specific topic, and more broadly on the group’s human rights policies and monitoring systems. The group published a detailed written answer in May 2021 (publicly available on the group’s website). Volkswagen stated that it does not conduct business with the suppliers mentioned in reports and has not found any indication of forced labour in its own operations and supply chain in China.

In November, we joined Volkswagen’s Human Rights Officer, Kerstin Waltenberg, on a call for investors to discuss its view on the MSCI controversy. In the meeting, Volkswagen denied the allegations of forced labour, provided more details, and highlighted several important factual mistakes, misquotes and misunderstandings in MSCI’s report.

In November, we also engaged with MSCI directly. Unfortunately, they were not able to provide us with any further details – only reiterating what was already written in its report.

Outcome

Assessing allegations is always challenging. In our opinion, the MSCI controversy is not sufficiently substantiated, and the detailed statement regarding the situation published by Volkswagen was not appropriately considered by MSCI. We reviewed the assessment of this allegation by two other ESG data providers; neither assessed this allegation as breaching the UN Global Compact principles.

However, we ultimately divested from Volkswagen for strategic reasons, including valuations.

CASE STUDY

Encouraging Auditor rotation and greater independence in Emerging Markets

Context

External auditors have been under strong scrutiny over the past few years due to various accounting scandals. The client survey we conducted in 2021 highlighted 'accounting and audit quality' as one of the critical stewardship focus areas for our clients. The EU Audit reform which came into place in 2016 set the bar in terms of what best practice looks like to reduce these risks. It capped external auditor tenure to 20 years and capped non-audit fees provision to 70% of audit fees over three years. In our 2021 voting principles, we highlighted that long auditor tenures and the payment of excessive non-audit fees could compromise the independence and integrity of the audit firm, which are critical in ensuring audit quality.

Activity

In 2021, the Emerging Market Equity team raised audit risks in emerging markets as an issue they were particularly keen to monitor across their portfolio. The team focused on closely monitoring auditor tenure and voted against the auditor election when tenure was beyond 20 years. During the year, the team supported our recommendations to vote against auditors' election where this threshold was breached.

In 2022, as part of our global policy review, we formally implemented a specific GAM proxy voting guideline to vote against with tenure in excess of 20 years. At the same time, our Emerging Market Equity team decided to escalate their concern with companies in their portfolio, by sending letters to the Board encouraging regular auditor rotation. The team continue to vote against auditor elections where appropriate.

At the end of 2022, we reviewed our proxy voting strategy to address auditor independence. We noted – especially in Emerging markets – that, depending on the country, shareholders may not be given a vote on auditor (re)election. To address this issue, we decided to escalate our approach by now voting against the election of the audit committee chairman or the chairman of the Board.

Outcome

Driving change, especially in emerging markets, can be challenging and take time. We believe this step-by-step approach to escalation will eventually raise awareness around audit risk oversight by increasing board scrutiny.

Nedbank was an example of quick positive outcome from the activity we undertook. In 2021, as reported in last year's Stewardship Report, we voted against the re-appointment of Deloitte due to overall tenure of 49 years. In 2022, we wrote a letter to the company to raise our concerns and get their perspective on our concern. Nedbank responded that it was actively looking at this issue and implemented mandatory audit rotation for both its auditors (as required for South African banks). The bank confirmed that a change of auditor was going to be announced in the second half of the year. In October 2022, the company published a notification of future change on audit firm, which we welcomed positively. While change was already taking place at Nedbank, our escalation allowed us to gain insight on the company's strategy to manage audit risk and confirmed that our expectations regarding audit rotation were increasingly on audit committees' agendas.

CASE STUDY

Japan – Pushing for greater gender diversity through regulators and listing authority

Context

Gender diversity at board level has always been an area of focus for our Japan equity team given the low levels of diversity in most Japanese companies. We believe a gender diverse board will be better equipped to oversee the companies we invest in.

Activity

In 2020, we set up a bespoke corporate governance integration framework to monitor key governance indicators in our Japanese portfolio. We started systematically tracking gender diversity on the boards of Japanese companies in the fund.

In 2021, we started voting against Nomination Committee chairman of companies with no women on their Board.

Since 2021, the Japanese Equity team has engaged actively across its portfolio to encourage companies not meeting this minimum expectation to appointment women as directors.

In 2022, we escalated our concern further by signing a letter from the Asian Corporate Governance Association (ACGA), sent to both the Japan Financial Services Agency (FSA) and Tokyo Stock Exchange (TSE), to encourage increased expectations around improving gender diversity at Board and senior management level in Japanese companies. The recommendations were focused on increasing gender diversity expectations through changes in the listing rules and corporate governance code. In addition to other recommendations, the letter encourages the TSE and FSA to either amend listing rules to have a minimum required female representation of 30% on Board by 2030 or to update the Governance code to push companies to reach the 30% level of women on the Board by 2024 (for Prime Issuers) and 2027 (for all listed issuers).

Outcome

We have seen steady increases across our Japanese Equity portfolio in terms of gender diversity.

In September 2020, 35% (8 of 23) of companies in the fund had women on the Board. As of 2023, this has dramatically changed, with 88% of companies (21 companies out of 24) with at least one woman on the Board. The average number of women on the Board among companies in the portfolio increased from 1 to 1.5.

There is still a lot more to be done to promote women representation on boards and senior leadership roles in Japan. We believe the regulator and listing authority have an important part to play to support steady improvements in gender diversity on Japanese boards. We believe this involvement will help accelerate the shift in gender diversity.

EXERCISING RIGHTS AND RESPONSIBILITIES

STEWARDSHIP CODE PRINCIPLE 12

Signatories actively exercise their rights and responsibilities.

Context

We seek to apply our stewardship responsibilities as appropriate across asset classes and geographies. Voting rights can be a powerful tool for influencing and holding companies to account. The voting rights associated with holding listed equity shares are in many ways the best understood. Where we have voting rights as equity or bond holdings, we aim to actively exercise these rights and vote wherever we have voting authority. We also consider our broader responsibilities to clients and to strengthening and protecting market integrity as a key part of our responsibilities.

Voting policy – The main objective of our voting activity is to promote value creation through corporate best practice and to mitigate corporate governance-related risks in our investee companies. Our voting decisions follow a principles-based approach grounded on governance priorities that promote long-term value for stakeholders. The Corporate Governance and Voting Principles outline our corporate governance expectations for companies, our approach on key voting issues and associated procedures. Our voting principles are publicly disclosed on our website. We recognise that corporate governance codes and practices differ between jurisdictions, and therefore take an appropriate approach within the broader context. 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. We implement the guidance from the 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 decisions. Due to differences in corporate governance standards and practices globally, we have developed broad geographic and regional guidelines 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. We strive to ensure our voting is consistent with our investment process and is executed in our clients' best interest. We review our Voting Principles on an annual basis to reflect changes in regulatory environment, market practice and our approach.

We retain the services of ISS to assist in implementing and administering proxy voting. ISS provides written custom analysis and recommendations for each resolution based on our guidelines, but the ultimate voting decision is made by GAM. In 2022, 874 resolutions (7%) were voted contrary to ISS standard voting policy recommendation. The Responsible Investment team will review all the meetings for which we have voting rights. The Responsible Investment team is responsible for making our voting recommendations and, for our active holdings, these recommendations are reviewed by the relevant investment manager, as they have strong and often long-standing knowledge of these holdings.

Given each of our investment teams has a unique investment process and may have a regional focus for their strategies, the principles we follow when making voting decisions are applied within the context of the investment strategy and the specific governance practices they consider critical for their portfolio holdings. If controversial, a final voting decision may be escalated to the Global Head of Investments and Global Head of Sustainable and Impact Investment. We believe that this collaborative approach across teams allows us to best fulfil our stewardship duty towards our clients by looking for the best voting outcome.

We publicly disclose our voting decisions for all our funds on a monthly rolling basis on our website. Our voting policy and voting activity is reviewed at least annually by our Sustainability Committee.

Non-listed equity asset classes – We aim to vote on all the meetings for which we have voting rights, across all our asset classes. We monitor all our fixed income and multi-asset funds for any voting activity. Bondholder meetings are rare and will be voted in line with our Corporate Governance principles and the relevant investment teams' input. We tend to implement our broader responsibilities to improving markets through our involvement in industry associations such as the PRI or Investment Association or through collaborative initiatives such as the Emerging Market Investor Alliance as outlined in Principle 10.

Client-informed voting – Clients increasingly engage with us on voting matters ahead or after general meetings. We welcome clients' feedback about our voting activity and process. We disclose significant votes and voting rationales to our clients upon request, and we disclose our voting intentions ahead of meetings for certain segregated mandates. Dialogue with clients on proxy voting matters allows us to understand their priorities, in turn helping us to make better informed voting decisions in their interest. We have provisions to allow clients to direct voting for segregated mandates, where agreed in advance. Our general policy is not to split votes, however, we can facilitate this in exceptional circumstances.

Securities lending – GAM has a securities lending programme in place for several funds. When shares are on loan, GAM is contractually unable to exercise voting rights for these shares. GAM undertakes relatively limited stock lending. In 2022, less than 10% of companies voted were subject to securities lending of more than 20% in that particular holding at the point of voting. Due to its limited nature, we do not consider our approach contributed significantly to 'empty voting'. Our current policy is only to recall stock for voting in exceptional circumstances if we consider our vote is absolutely critical to safeguard shareholders' interests. We did not recall any shares out on loan last year. We plan to further review our securities lending policy in 2023 with the objective to adopt a consistent approach across all our portfolios.

Activity

In 2022, we voted at a total of 1,079 meetings (2021: 1,322) representing 99.3% of the all the votable meetings (2021: 99.2%). We aim to vote on all shares for which we have voting authority. The instances where we did not vote were either active decisions not to vote because we were redeeming our shares in a company or due to administrative barriers to voting.

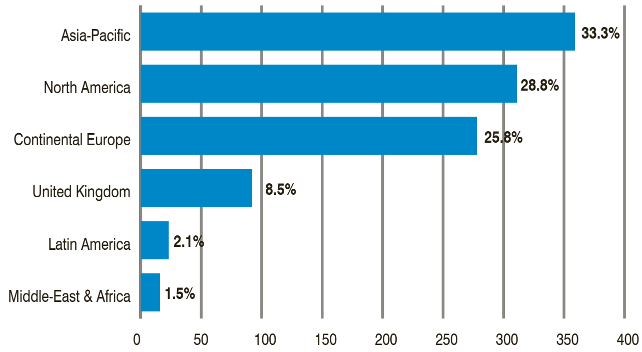
We make voting decisions for all our funds publicly available on a monthly rolling basis on our website. This includes votes where we withheld support.

Our main considerations for the following votes are as outlined:

- votes against the Board and/or Board directors' resolutions – our considerations include board composition and effectiveness, pay and long-term value creation alignment, financial resilience
- votes against shareholder resolutions – we do not support proposals constraining on management of the companies or prescriptive for information or timeframe
- votes withheld – resolutions where we voted against management are outlined in Figure 8
- votes not in line with voting policy – examples are provided in Principle 6

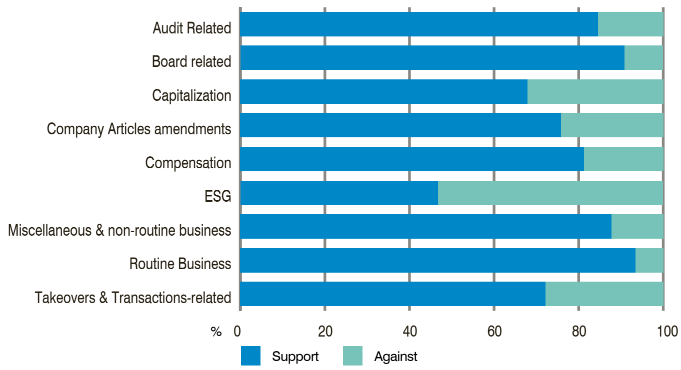
We voted on 12,515 unique resolutions in 2022, of which 14.4% were votes against management (12.0% in 2021). We supported 73.1% of the 420 shareholder resolutions we voted on in 2022 (2021:73.6%).

Figure 7: Shareholder meetings by geography



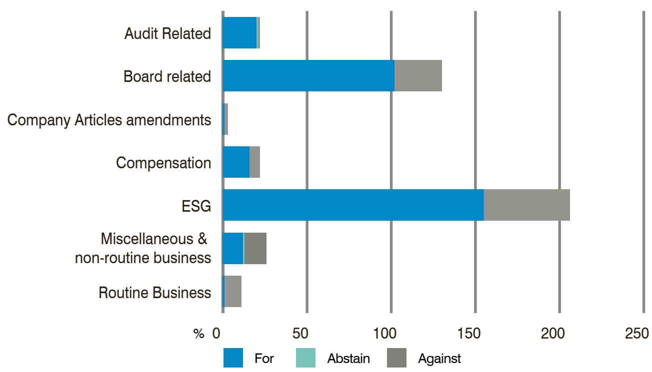
Source: GAM. As at 31 December 2022.

Figure 8: Votes against management



Source: GAM. As at 31 December 2022.

Figure 9: Vote instructions on shareholder resolutions



Source: GAM. As at 31 December 2022.

Fixed income assets

For fixed income assets, we will actively vote at any bondholder meetings where we have the rights to vote. These are meetings where we are asked to grant consent for changes that can impact our holdings in a given company. All our fixed income funds are set up in our voting platform to ensure we review any upcoming bondholder meeting. The voting process is the same as for equity assets where the Responsible Investment team will review the proposals and provide a voting recommendation to the investment teams in line with our voting principles.

While we do not have specific guidance for bondholder meetings, we will look to review all resolutions on a case-by-case basis, always keeping the best interest of our clients in mind when making a voting decision. This includes the resolutions relating to:

- seeking amendments to terms and conditions in indentures or contracts;
- seeking access to information provided in trust deeds;
- impairment rights; and
- reviewing prospectus and transaction documents.

In 2022, there were no bondholder meetings for which we were eligible to vote on.

Selected examples of outcomes of resolutions we have voted on for listed equity assets in 2022 include:

Case study: Addressing concerns over Covid vaccine accessibility through proxy voting

Context: In December 2021, we participated in an investor collaboration initiative and signed up to an investor letter calling on vaccine producers to integrate the World Health Organization (WHO) goals, including an executive remuneration strategy, in a material, measurable and transparent way. The letter was targeted specifically at Pfizer, Johnson & Johnson, Moderna, Astra Zeneca. The investment team also met with some of the companies to share expectations and better understand their strategy behind vaccines accessibility.

Activity: As a follow up, during the proxy season 2022, we reviewed the resolutions to approve executive director compensation put forward by these companies to see if any of the recommendations had been implemented. After more detailed research by the Responsible Investment team, the following decisions were taken.

Resolution: Vote to Ratify Named Executive Officers' Compensation

- **Moderna**

  Vote instruction: Support

  Rationale: Moderna's disclosure regarding vaccine distribution to low- and low-middle income countries is impressive, but most importantly it has integrated production targets into the 2022 bonus policy. The company states: 'The bonus program for 2022 also includes ESG objectives aimed at ensuring we meet demand for our COVID-19 vaccine from low- and middle-income Countries'. Whilst slightly vague, we welcomed the commitment to integrating the WHO goals of vaccine supply to lower income nations into its remuneration plan for FY2022.

- **Pfizer**

  Vote instruction: Against

  Rationale: We recognised the company's disclosure surrounding its vaccine distribution to low- and low-middle income countries for the year under review is sufficient. For example, as confirmed, the company highlights that in FY2021 it delivered one billion vaccines to low- and low-middle income countries in addition to committing to deliver the same amount to similar countries in FY2022. However, Pfizer does not integrate any WHO goal related targets for FY2022 regarding executive directors' remuneration. Given that this is the basic expectation that was set out in the letter we are signatories to, we voted against the remuneration proposal.

- **Johnson & Johnson**

  Vote instruction: Against

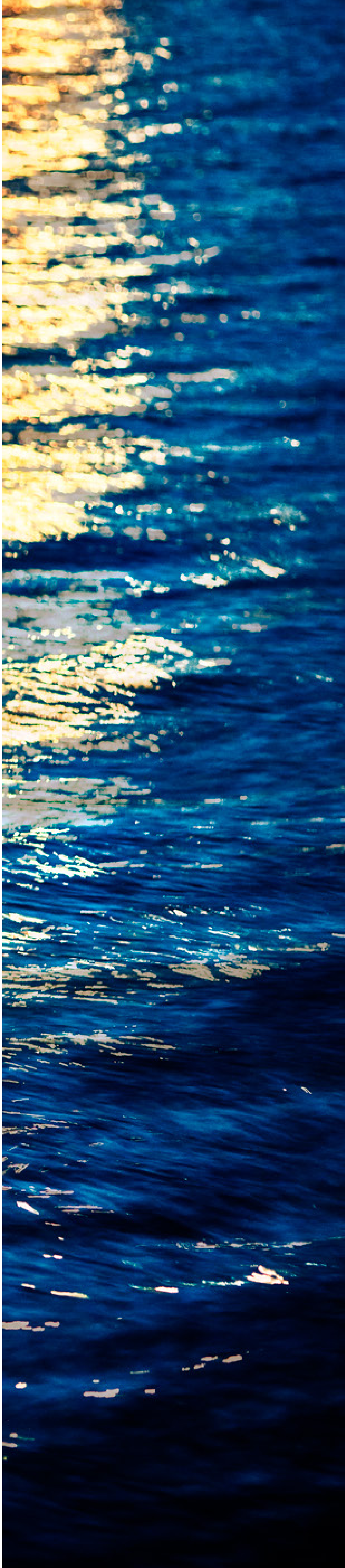
  Rationale: The company's disclosure regarding FY21 vaccine production to low- and low-middle income countries was limited. Whilst it has made clear that approximately 70% of total vaccine supply was shipped to low and middle-income countries, with 40% of total supply going to COVID-19 Vaccines Global Access initiative, it makes no detailed disclosures about its actions towards any of the WHO goals. Most importantly, Johnson & Johnson does not include the WHO goals in any targets for present or future remuneration plans.

Outcome: Our voting decisions on the remuneration resolutions at the 2022 proxy season were reflective of disclosure and responsiveness in addressing shareholder expectations on the vaccine strategy provided by the companies. Vote outcomes on these resolutions, while incorporating other aspects of the remuneration practice, align with the overall level of transparency demonstrated. The highest support for the remuneration resolution was received by Moderna and Pfizer with 93% and 92.7% of votes cast for, respectively. At Johnson & Johnson, the remuneration resolution only received 85% support from shareholders.

We further acknowledge that despite both Pfizer and Johnson & Johnson not proposing any changes to their remuneration structure, they have continued to strengthen their commitment in providing more equitable access to COVID-19 vaccine. In 2022 Pfizer launched "Accord for a Healthier World" program, which aims to reduce health inequity around the world and expanded access to its oral Covid-19 treatment through a voluntary licensing agreement with Medicines Patent Pool an UN backed public health organization. During 2022, Johnson & Johnson completed an agreement with manufacturer Aspen SA Operations to enable the first COVID-19 vaccines to be manufactured by an African company for people living in Africa.

Case study: increase in Say-on-Climate votes

Context: Management has started putting forward an increasing number of resolutions for shareholders to vote on climate plans. This new development has been challenging from our perspective as it requires us to make a clear decision on complex forward-looking plans often with limited information. These resolutions have required us to adapt our approach to voting and broaden our assessment of companies during proxy voting season. As we review more and more resolutions, we ensure to review plans extensively so we do not support plans which are inappropriate or incomplete.



Activity: Last year, we specifically voted against the following climate plans:

- **Barclays Plc**

  Resolution: Approve Barclays' Climate Strategy, Targets and Progress 2022

  Rationale for opposition: Lack of SBTi aligned targets, incomplete policy, insufficient present targets (especially regarding coal, oil sands and fracking)

  Outcome: 19.2% dissent.

- **Standard Chartered Plc**

  Resolution: Approve Net Zero Pathway

  Rationale for opposition: Apparent gaps in the company's climate reporting and lack of science-based target setting. The company has committed to a net zero by 2050 ambition providing short-, medium- and long-term targets however, the reporting of Scope 3 emissions remains underdeveloped and does not permit a full assessment of the interim targets nor does it allow transparency into its remaining Scope 3 emissions related to the relevant category.

  Outcome: 17% dissent.

- **Carrefour SA**

  Resolution: Approve Company's Climate Transition Plan

  Rationale for opposition: The company has not disclosed the full set of Scope 3 GHG emissions and has no short-term Scope 3 GHG emissions reduction target. Additionally, the company has not committed to an annual say on climate vote, which would allow shareholders to continually assess the company's progress in managing its climate-related risks.

  Outcome: 12.6% dissent.

Case study: The TJX Companies Inc. – failed advisory vote on compensation due to adjustment to incentive payouts following the COVID crisis

Context: Last year, it was flagged that adjustments were made to the 2019-2021 Performance Share award performance criteria and subsequent vesting, due to the COVID-19 pandemic. The company assessed performance separately for 2019-20 and then for 2021. Payouts would have been earned at 46% of target prior to the adjustment and were earned at 77% of target after the adjustment. However, the material amount that such adjustments would lead to were only disclosed after the 2022 Annual Report. These adjustments have resulted in a USD 9.7 million incremental value for the CEO.

The Compensation Committee has made similar discretionary adjustments to the 2020-22 Performance Share award, by prorating the measurement period and potential payouts to evaluate performance separately for 2020 and 2022 (2/3 of overall award) and for 2021 (1/3). These adjustments have led to above-target payouts.

Given the negative experience of other stakeholders as a result of the pandemic, it does not seem fair that the company has positively adjusted PSU awards two years in a row. Both adjustments have benefitted the executives that receive the awards. In addition, the material value that the adjustments made to the 2019-21 Performance Share award payout seemed incommensurate with overall performance.

Activity: At the 2022 AGM of The TJX Companies, we voted against the advisory vote on executive compensation. We were concerned by the decisions made by Compensation Committee determining pay outcomes and the discretion used.

Outcome: The resolution received opposition from a majority (50.3%) of shareholders and was therefore not approved. Even though the vote is only advisory, we expect changes to take place, or we may consider voting against the Remuneration Committee.

Case study: McDonalds – Supporting higher ESG standards and encouraging Board refreshment

Context: At the 2022 AGM, a shareholder submitted a separate proxy card to elect two new Directors to the McDonald's Board in replacement of the longest-serving Directors that are members of the Sustainability and Corporate Responsibility Committee, with tenures of 17 and 16 years, respectively.

Activity: We decided to support the election of the two new shareholder-nominated Directors – Maisie Ganzler and Leslie Samuelrich – for the following reasons:

1. **Failure to meet ESG commitments.**

   The company has failed to meet a key ESG objective originally set in 2012, by delaying the timeline of the original goal. The original commitment made by McDonald's was that it would completely eradicate the sourcing of pork from producers that allow pregnant sows to be housed in gestation stalls by the end of 2022. However, the company shifted this goal to be completed by the end of 2024, which they described as being partially due to the COVID-19 pandemic and African swine flu outbreak causing major supply chain disruption. We expected the original targets to be met regardless of external factors, which should have been taken into consideration and into risk-planning. Given that the goalposts were shifted we consider that McDonald's failed to meet a key ESG commitment and we used this vote to signal our concern.

2. **Board refreshment.**

   The average director tenure on the Board is 11 years old, while 5 out of 9 non-executive directors have a Board tenure of over 13 years. Given this, we believe the Board could and would benefit from refreshment of its directors. In addition, the nominee directors, Ms Ganzler and Ms Samuelrich, both have experience in the ESG space. This means that the Board will be provided with directors holding specific experience in ESG, which is especially important when considering the issues that warrant their nomination in the first place.

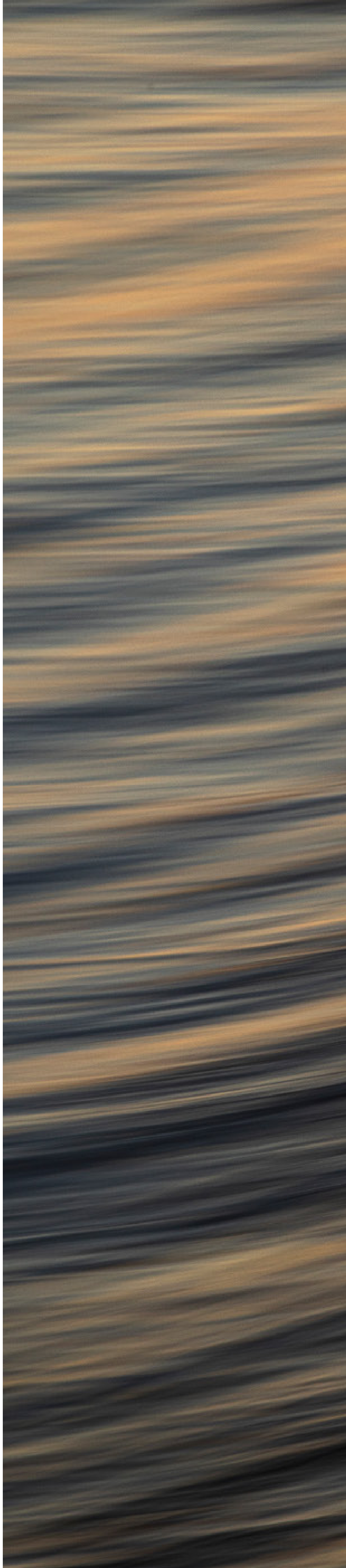
Outcome: The candidates put forward by the activist investor were not elected to the Board, but we viewed this vote as an opportunity to signal our concerns the company over both board composition and missing its ESG objective. This is an example of where we have not followed proxy advisor recommendations but thoroughly reviewed shareholder proposals independently. We considered the proponent rationale to be reasonable, well-structured and the candidates proposed as an alternative to be potential value-add to the Board.

Case study: Roblox – Raising concerns over size and lack of transparency behind Joining awards in the US

Context: At Roblox Corporation's AGM in 2022, we decided to vote against the Advisory Vote to ratify Named Executive Officers' compensation. The incoming Chief Product Officer, Manuel Bronstein, was granted an equity award upon joining the Company, valued at USD 60.15 million. This is purely a time-vesting award, meaning there are zero performance conditions. Whilst we are not averse to joining awards or one-off grants, the valuation of the joining award for Mr Bronstein was considered excessive, especially given it has no performance conditions attached. The company justified this payment by simply saying it was needed to secure a candidate with the required experience and skills, in the context of a competitive recruitment markets. There was also no indication that this payment was made to offset a bonus loss at a previous employer.

Activity: Based on the above information, we considered a vote against to be the most appropriate decision.

Outcome: We were among a larger group of shareholders raising this concern: the resolution received 7% dissent from shareholders, representing above 20% of minority shareholders (considering 65.6% of votes are controlled by founding CEO). Even if the company is majority controlled, meaning this resolution was going to pass, this is a good example showing how we can use our vote to voice our concerns.



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