

July 2024 |

# GAM ENGAGEMENT POLICY



**GAM**  
Investments

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## 1. Purpose and scope

The purpose of the Engagement Policy ('Policy') is to set out GAM's approach to engagement with current and potential investee companies and across other assets. It includes information on the objectives of engagement and how we integrate engagement into our investment processes.

It also represents our engagement policy as defined under the EU Shareholder Rights Directive (EU) 2017/828 (SRD II).

The Policy applies to all regulated subsidiaries within GAM Holding AG that manage portfolios and/or funds. In practice, the approach described in this Policy is primarily applied to our Investment Management business.

Where we delegate investment management to external asset managers for GAM managed portfolios or funds, we take reasonable steps to oversee the activities delegated, including engagement approach, in line with regulatory requirements. We expect all appointed external asset managers to meet relevant regulatory obligations.

## 2. Defining engagement

At GAM, 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 monitoring an investee company, addressing specific concerns or advocating for changes. The topics covered during engagement activities will generally include strategic financial, operational or Environmental, Social and Governance (ESG) considerations with a clear emphasis on materiality and long-term value preservation and creation.

As active investors, these interactions allow us to better identify and assess risks, opportunities and impacts, and to act as a responsible steward of our clients' capital.

Engagement focuses on communicating with company directors or senior management of corporations, but also policymakers and regulators. This exchange may take different forms such as one-to-one or group meetings, written letters or emails or through the participation in collaborative investor initiatives.

## 3. Engagement integration in investment strategy

GAM is an active investment firm and engagement plays an important role in shaping the way we allocate, manage and oversee capital for many of our investment strategies. By engaging, we not only gain valuable insights into corporate business models or management practices, but we can also use our influence to encourage a focus on long-term, sustainable value creation and to drive positive impact.

The integration of engagement into a fund's strategy will vary between investment teams depending on the asset class and specific strategy. There are no formulaic rules which set out how we engage. The specifics of each engagement will depend on the nature and severity of the issue, the company, market, local regulatory requirements and investment strategy. Engagement activities are carried out by investment teams directly, with the support of the Responsible Investment (RI) team as required.

## 3.1 Engagement prioritization

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 double materiality – seeking to identify sustainability issues that are most likely to affect the financial condition or operating performance of companies within an industry, alongside consideration of potential negative principal adverse impacts (PAIs) on the environment or society and principles of good governance at a product level. The analysis uses a variety of ESG data and analysis. The topics covered during engagement activities will generally include strategic financial, operational or ESG considerations with a clear emphasis on materiality and value preservation and creation in line with the investment objectives of the strategy.

## 3.2 Engagement process

We have identified different types of engagement, serving different purposes throughout our investment process. To better describe our engagement activities, we have structured our interactions into four categories, which are not mutually exclusive but highlight the main objective of our engagements.

### Pre-investment research

Investment teams conduct meetings with issuers with the objective of gathering information ahead of a potential future investment.

These meetings do not require a decision to invest but are a critical value-add to our investment process as active investors.

### Monitoring

Engagement with the purpose of monitoring is a core part of our active investment strategies and due diligence process. We hold regular routine meetings with the issuers in our portfolios. This allows us to actively monitor our investees and gain valuable insights on the strategic direction of a company, for example.

### Addressing concerns

Engagement can be triggered by a one-off event or announcement which raises questions or concerns. This differs from our regular monitoring meetings in that it is triggered as a result of a specific recent controversy, negative news, resolution at a shareholder meeting or any other announcement raising concerns. This may be linked to the specific company or within the sector or market. Such engagement has a clear purpose which is to address a specific issue we consider material to our investments while also understanding the issuer's perspective. If we are not satisfied with an issuer response, this will generally lead to further engagement and potential escalation (see section 5).



### Driving change

We may engage with issuers with the objective of communicating our expectations as investors (not only on ESG matters) and driving improvements, whether it relates to disclosure or practices. The issuers will often be identified through our monitoring activities described in section 4 below. When encouraging a company to implement changes to meet our expectations, we understand that the engagement process may be long-term and may take several years. However, dependent on the issue, we may also set specific timelines and escalate where companies are unresponsive. 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. Engagement methods for the purpose of these types of engagement may combine direct one-on-one and collaborative activities when other investors share the same perspective.

### 3.3 Engagement objective-setting

We typically engage with one of four primary objectives – pre-investment research, monitoring, addressing concerns or driving change. We will generally have a specific area of focus for the first two objectives and will set more targeted objectives for the latter two once initial ‘exploratory’ engagement to establish the companies’ views, practices and plans on a particular topic is completed. For thematic engagement, we tend to establish an engagement framework to inform these engagements.

### 3.4 Engagement across asset classes

Our approach to engagement differs across asset classes, dependent on the rights associated with a security, the opportunities we have available for engagement, as well as the characteristics and time horizons of the different strategies. For some asset classes engagement is not possible.

### Equities

For equities, investment teams routinely communicate with investee companies as part of their monitoring and research activities, as well as to address specific concerns or to drive changes where areas for improvement have been identified. The investment teams favour direct engagement activities either through one-on-one meetings or small group meetings. 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. Where deemed necessary, the investment teams may also choose other ways to communicate with portfolio companies, such as participating in investor engagement collaborations or communicating with the Board, senior management or Investor Relations via email or letter. We favour written engagement to initiate dialogue with companies, as well as to clearly communicate specific expectations. Proxy voting is an important tool available to our equity investment teams to address or escalate specific concerns, especially on ESG matters as outlined in section 5.

### Corporate fixed income

For corporate fixed income, pre-investment engagement activity 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 gain better knowledge on the purpose of the bond and the use of proceeds, as well as the quality of the corporation issuing the bond. Engagement prior to the issuance of a bond provides an opportunity to engage on covenants or on the structure of the issuance.

Engagement activities can provide greater insights into the underlying issuers, improve transparency and influence companies’ practices. Participation in the issuance of green, social or sustainable bonds, may provide investment teams with the opportunity to engage more actively with issuers and to influence the structure, design and use of proceeds reporting.

While bondholders do not carry the same influence as shareholders once invested, especially due to limited voting rights, ongoing communication with a company is still very important as most companies need to reissue at maturity and we find that companies strive to keep bondholders onside. It may also impact positively or negatively our perspective 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 may still take the opportunity to engage on specific policy developments and concerns. Effecting 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.

We value these interactions to make better informed investment decisions for the benefit of our clients. 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 and to preserve access to competitive funding. Participation in collaborative engagement initiatives, through investor forums and industry bodies, can also build valuable knowledge and allow us to raise ESG trends and concerns.

### Other Asset classes

Engagement with issuers also applies to other asset classes but can vary significantly depending on the type of assets.

Our approach is to engage on a case by case basis when appropriate and when it adds value to the investment process. The drivers and methods of engagement vary depending on various parameters such as: asset type, fund strategy, markets but also the purpose and objective of the engagement activity.

### 3.5 Engagement Methods

We view engagement as key to fulfilling our duty to be a good steward for our clients' assets. The engagement process gives us valuable insights that help improve our understanding of an organisation, business or country. Our aim is for pragmatic, positive and productive dialogue. We use a variety of approaches dependent on the nature and severity of the issue, the company, market, local regulatory requirements, and asset class or investment strategy.

#### Direct engagement

Our dominant approach focuses on developing a one-to-one dialogue with issuers which can be a one-off or multi-year. We aspire to meet with or interact with core holdings on a regular basis. We approach our engagements in a constructive and positive manner, seeking solutions, and appropriate actions from businesses. Written engagement and small group meetings are also considered an effective way to directly communicate with an issuer.

#### Collaborative engagement

We recognise that many environmental and social issues, such as climate change and nature degradation are complex, global issues where one institution acting alone cannot make as much progress as collective engagement. We therefore recognise the importance of working collaboratively with like-minded investors if we are to positively influence the behaviour of specific issuers, to address systemic risks and to progress public policy. We participate selectively in several collaborative initiatives where we consider it is in our clients' best interest to do so.

#### Policy and regulatory engagement

Policy and regulation are fundamental to well-functioning markets and play a critical role in setting the appropriate incentives and disincentives to address sustainability challenges such as climate change. We engage on policy through industry groups, including the PRI, the Institutional Investor Group on Climate Change (IIGCC) and the UK's Investment Association (IA). Details of our collaborations are available on [our website](#).

#### Engagement with other stakeholders

Beyond collaboration with other investors and engagement with policy makers, we also welcome engagement with other relevant stakeholders of investee companies. The considerations for our engagement are broad and these exchanges can allow us to build a deeper understanding of a company's operations and practices. We actively use third-party data sources to monitor stakeholders' views – these include data points on companies' employee management, labour standards across supply chain or community relations activities, as well as news and reports from various stakeholder groups such as NGOs.

## 4. Monitoring

### 4.1 Engagement topics

Pre-engagement, our focus is on identifying material engagement topics and the most appropriate engagement approach. Topics include risks, opportunities and impacts that we consider most material to the investment case and decision making. We identify and review topics that are reasonably likely to impact the financial condition, operating performance, or risk profile of an issuer, taking additional parameters such as market and industry into account. This may include nearer term or longer term impacts.

Active dialogue allows us to address company specific and wider market risks and opportunities. The considerations relevant to our engagement activity include strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance.

Environmental, social and governance factors are increasingly critical for the long-term health and stability of economies, companies, and markets. Environmental, particularly climate change and nature degradation, as well as social factors, such as health and safety, human rights and labour standards across the supply chain, among many others, may be considered material when making investment decisions. Good governance is also critical to our investment process as we believe that companies that conduct their business responsibly with high standards of integrity, sound management structure and a sustainable business model deliver better long-term results.

Our [policies and statements](#) set out our expectations on key topics.

### 4.2 Monitoring process

Engagement is one of the tools available to monitor our portfolio holdings. The investment teams are ultimately responsible for monitoring their portfolio holdings. They are supported in this task by various other functions at GAM such as the Investment Risk team and the RI team. We have various tools and processes available to support the integration of material ESG considerations into our investment process.

Monitoring activities include quarterly Investment Risk meetings and periodic thematic and portfolio level reviews of ESG topics.

## 5. Escalation & Voting

### 5.1 Escalation

When the engagement activity with an issuer is not progressing sufficiently, we have various tools available to escalate our concerns. Escalation can take different forms and will often depend on the engagement objective, the issue being faced, and the type of assets invested in. In the equity and corporate fixed income space 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. Collective engagement is another powerful way to effectively escalate an issue with a company.

If investee companies are not progressing 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.

### 5.2 Voting

For equity investors, voting rights can be a powerful tool for shareholders to hold the company to account and are a central 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. Voting is core to our active ownership approach, and our Corporate Governance and Voting Principles outline our corporate governance expectations for companies, our approach on key voting issues and associated procedures.

We disclose rationales for our votes against management on a half-yearly basis. These records are updated in the first and third quarter of each year. We aim to vote all shares for which we have voting authority and make voting decisions for all of our funds publicly available on a monthly rolling basis on [our website](#).

## 6. Engagement recordkeeping and reporting

We believe transparency is core to good governance. We are signatory of the Principles for Responsible Investment (PRI) and report annually against these principles. We also publish an annual Stewardship Report in line with both the UK, Swiss and Japan stewardship codes, which provides an overview of our stewardship activities and progress, including details of our engagement.

We have implemented an engagement recording tool for our investment teams. This tool aims to capture our engagement activity, including: engagement objective, engagement topics, ESG considerations and engagement outcomes.

## 7. Conflicts of interest

Conflicts of interest may arise during the ordinary course of our day-to-day business activities. In line with regulatory requirements, we must be able to identify and manage these conflicts fairly and appropriately, including preventing any conflicts of interest from adversely affecting the interests of our clients.

Accordingly, we have implemented and maintain a Group Conflicts of Interest Policy that establishes a framework designed to ensure that all of our employees take proper steps to identify, prevent, record and manage conflicts of interest in our clients' best interests.

Where we determine that an investment transaction or service to be provided by us to a client gives rise to a conflict of interest that may result in the risk of detriment to the client notwithstanding the measures we have taken to prevent or manage that risk, we will inform the client about this in writing. Such disclosure enables our clients in such circumstances to make an informed decision as to whether or not they wish to proceed with the relevant transaction or service. In the event that we are unable to implement measures to manage or mitigate the risk of detriment to a client arising from a particular conflict of interest, we will refrain from executing the relevant transaction or service and notify the client to that effect.

Our Group Conflicts of Interest Policy, or summary of the policy is available to our clients on request.

**Appendix I: Shareholder Rights Directive II requirements**

The European Shareholder Rights Directive II (SRD II) was introduced to strengthen shareholder engagement and increase transparency. We are committed to adhering to the SRD II requirements, as well as other stewardship codes to which we are signatories.

Where we delegate investment management to external investment managers, we take reasonable steps to oversee the activities delegated, in line with regulatory requirements. We expect all appointed external investment managers to meet relevant regulatory obligations, including adherence to SRD II requirements.

An overview of key provisions and relevant disclosures is outlined below:

**SRD II 3g (a) requirements for Engagement policy:**

Institutional investors and asset managers shall develop and publicly disclose an engagement policy that describes how they	Reference
Integrate shareholder engagement in their investment strategy	Section 3
Monitor investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance	Section 4
Conduct dialogues with investee companies	Sections 3.2;3.3; 4.1
Exercise voting rights and other rights attached to shares, cooperate with other shareholders	Section 5
Communicate with relevant stakeholders of the investee companies	Section 3.3
Manage actual and potential conflicts of interests in relation to their engagement	Section 7

For more information, please visit [GAM.com](http://GAM.com)

**Important legal information:**

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

