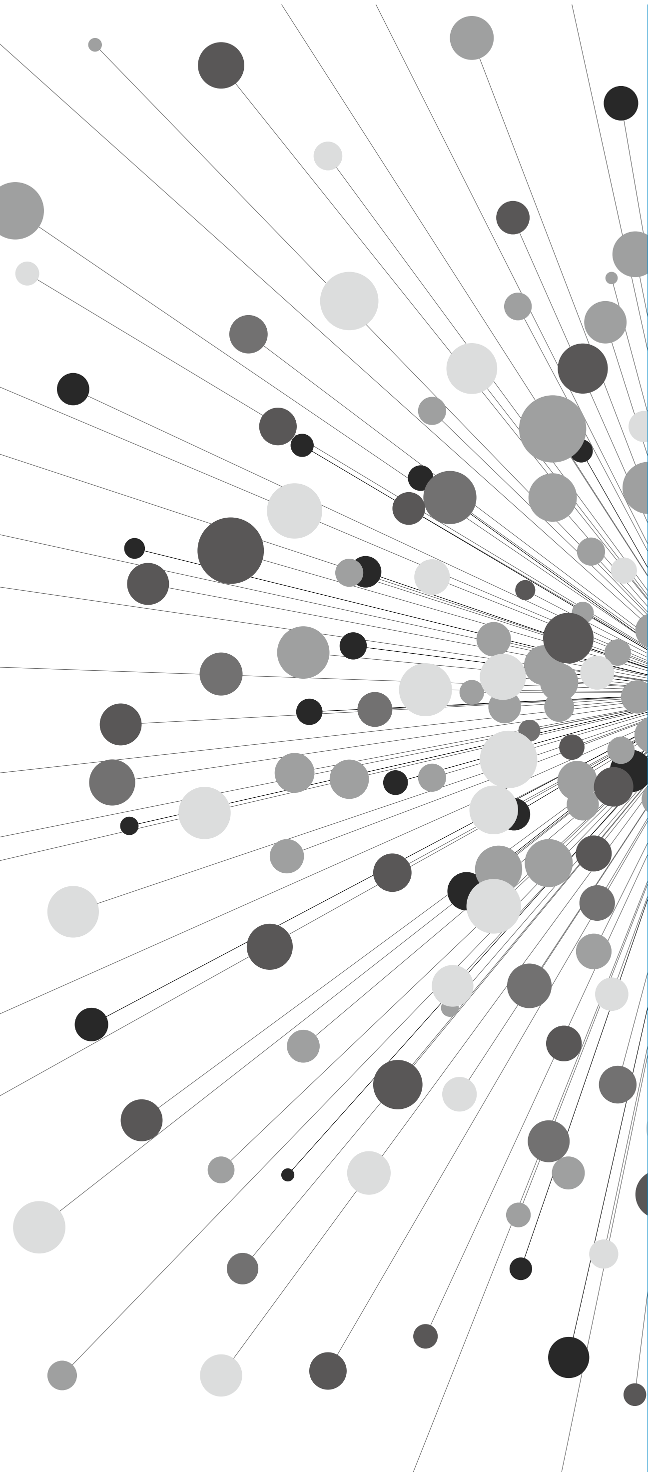
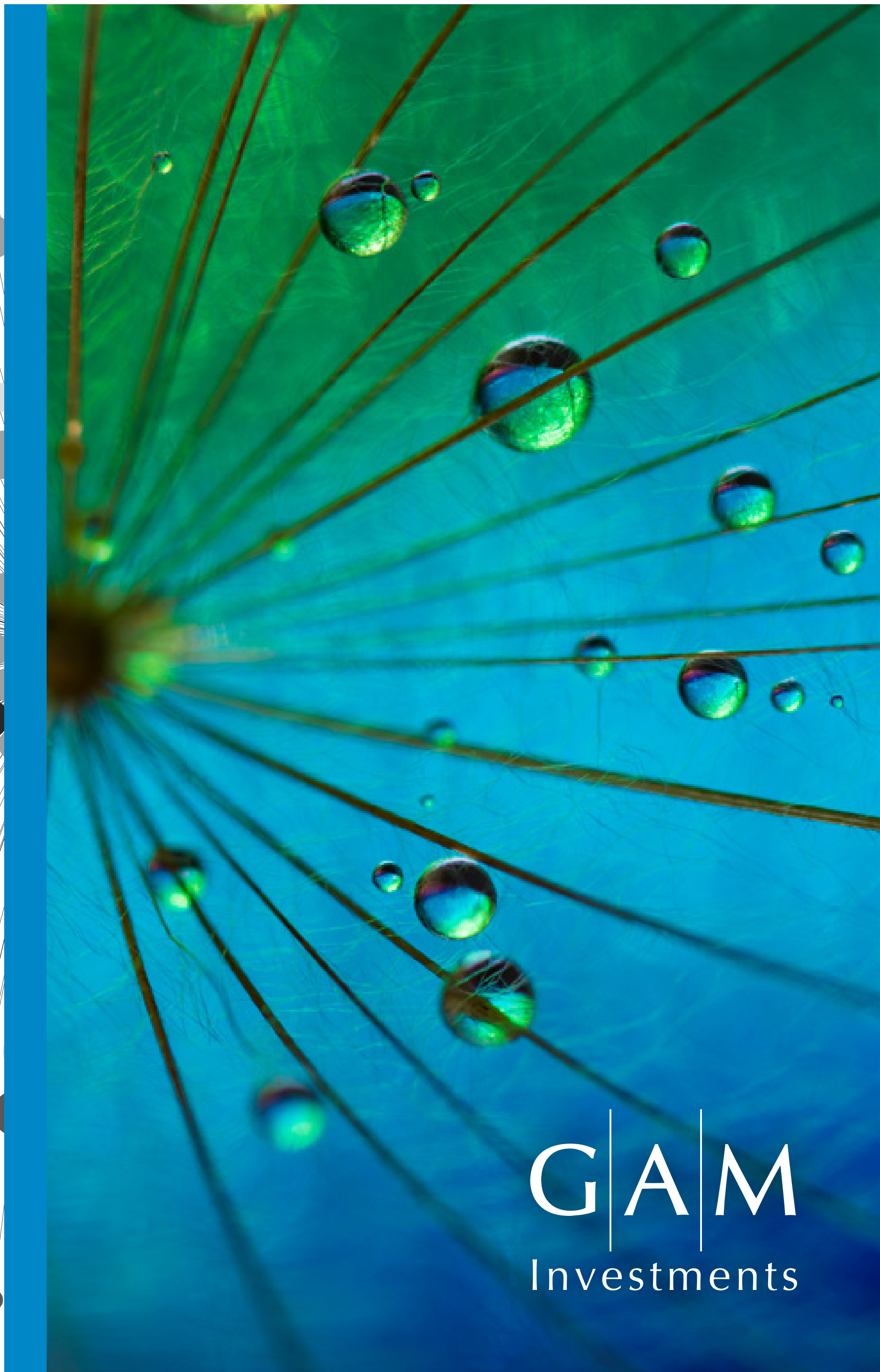
STEWARDSHIP REPORT 2021

Marketing material for professional investors





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FOREWORD

Peter Sanderson
Group Chief
Executive Officer

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

Since our decisions have direct influence on companies, markets and economies, we acknowledge our responsibility to help safeguard the integrity of markets by minimising systemic risks and acting as a steward of our clients' capital. We engage with companies regularly, as part of our investment process and in line with client preferences and any applicable regulations. We believe it enables us to make better-informed investment decisions.

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

In 2020, we engaged across a wide range of material ESG factors and issues, from climate to coronavirus. This allowed us to assimilate our understanding of the economic, environmental, societal and industry-specific systems and factors that affect companies. It also enabled us to contextualise the various market forces that impact society's stability and the capital markets.

In 2021, we want to build on these foundations, including rolling out a new engagement plan and a tool to better capture our activities. These will be critical components for reporting our engagement activity from 2022 onwards.

I hope this Stewardship Report is of interest.

Yours sincerely

Peter Sanderson
Group Chief Executive Officer

INTRODUCTION

GAM is a global active asset manager with an investing heritage going back over 35 years. We invest our clients' capital using active strategies across discretionary, systematic and specialist solutions. Collectively, we manage CHF 122.0 billion in assets for institutions, financial advisers and private investors.

Our investment professionals, who on average have more than 14 years of industry experience, manage CHF 35.9 billion [1] in client assets. In addition to **investment management**, we also offer **private labelling** solutions, such as fund management company and other support services, to third parties. This business has grown to CHF 86.1 billion [1] in assets over the past two decades.

By focusing on superior investment returns, a differentiated product offering, global distribution strength and operating efficiency, we seek to deliver sustainable growth for all stakeholders.

This Stewardship Report highlights how we use the integration of ESG factors, company engagement, proxy voting and other strategic efforts to be good stewards of our clients' capital. It is structured in response to the 12 Principles of the UK Stewardship Code issued by the Financial Reporting Council. Unless otherwise stated, all data refers to the calendar year 2020.

We recognise that complying with the highest sustainability standards is no longer an option; it's a prerequisite for business. In 2018, the global sustainable investment market stood at $30.7 trillion, a 34% increase in just two years according to the Global Sustainable Investment Alliance (GSIA), with regulation such as the EU's Sustainable Finance Disclosure Regulation driving further growth.

We believe our active approach to sustainability and commitment to launching new GAM sustainable strategies to meet client needs will be a critical contribution to our corporate strategy's growth pillar. In 2021, we will be launching several sustainable products, starting with our Sustainable Local Emerging Markets Bond fund.

We started on our sustainability journey in 2014, signing up to the United Nations Principles for Responsible Investment, and have steadily made progress since. We created our Governance and Responsible Investment team in 2018.

Over the course of 2019 and 2020, we made significant progress with our proxy voting activity and embedding ESG factors across our asset base. We voted nearly 100% of all proxies and engaged with and supported investment teams' engagement activities with companies. At the same time, we formed partnerships with the most trusted providers of ESG data and research. They will support us in our commitment to strengthening how we integrate ESG data into our investment processes.

In 2021, with the appointment of a new Global Head of Sustainable and Impact Investment, this has grown into a dedicated function represented at Senior Leadership level, fully supported by the Board, our Management team, and the entire firm.

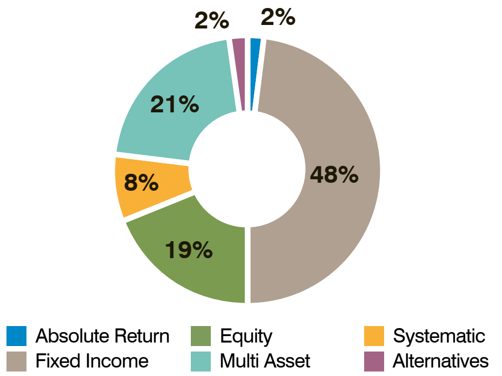
Today, we face a step change in how we invest and incorporate sustainability into our investment processes. We recognise that we still have much work to do. However, we are pleased to provide you with this report, outlining our efforts over 2020 and early 2021 and highlighting our sustainability and stewardship journey.

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

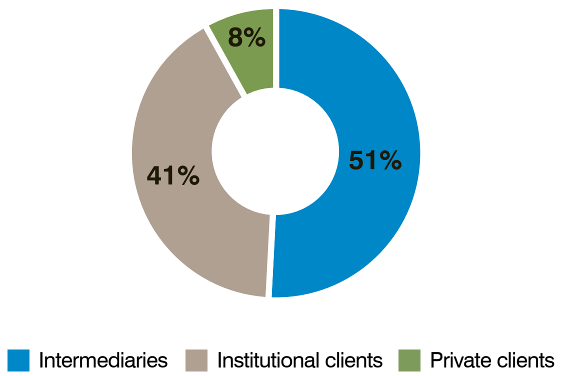
[1] As at 31 December 2020

IN NUMBERS

Investment management assets by capability



Investment management assets by client segment



Investment management snapshot

Investment strategies, mandates and funds managed by in-house professionals and selected third-party specialists.

85%

of our Group net management fees and commissions are generated in investment management

128

in-house investment professionals in Zurich, Lugano, Milan, London, Cambridge, New York and Hong Kong

62

relationship managers serving our global client base, supported by 43 employees in marketing, sales support and product specialist roles

70%

of assets in funds outperformed their benchmark over five years

IN 2020

- Our portfolio managers engaged with **over 1,000** companies and conducted over **2,700** meetings and conference calls.
- We voted at **1,136** company meetings, representing **98%** of meetings across all markets.
- We voted on **13,551** resolutions, supporting **318 (65%)** shareholder proposals.

STEWARDSHIP CODE PRINCIPLE 1

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients leading to sustainable benefits for the economy, the environment and society.

Context

GAM's purpose is to protect and enhance our clients' financial future by attracting and empowering the brightest minds to provide investment leadership, innovation and sustainable thinking. By living our purpose every day, we believe that we can realise our vision of building the most respected specialist active investment manager and trusted solutions and services platform in the world.

Responsible stewardship of our clients' assets is central to achieving this vision and fulfilling our purpose.

Our core values of integrity, collaboration and excellence are central to how we deliver for our clients, supported by an open and transparent culture. We have a Culture Working Group who focus on continuously improving the inclusive culture at GAM. We pursue a zero-tolerance culture for any conduct that could harm our clients, reputation, employees or other stakeholders. As stewards, we are tasked with the responsible allocation, management and oversight of capital, seeking to create long-term value for our clients while creating sustainable benefits for the economy, the environment and society. Therefore, considering environmental, social and governance (ESG) issues in investment decisions is essential to our fundamental investment analysis. Without it, we cannot have a complete picture.

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

Activity

We have a clear policy framework, including Responsible Investment, Engagement, Corporate Governance and Proxy Voting and Exclusion policies. The Governance and Responsible Investment (GRI)[2] team, established in 2018, facilitates stewardship and the effective incorporation of material ESG and sustainability-related factors. This team supports our investment teams, across our business, by providing data, analysis, research, proxy voting and stewardship.

Alpha FMC review – At the beginning of 2020, we appointed a specialist asset management consultant, Alpha FMC (Alpha) to review our ESG strategy and commitment to responsible investment. The 10-week study resulted in a high-level assessment of our strengths and weaknesses and a road-map for the development of our long-term ESG strategy.

Strengthening governance and driving improvements – Our focus on sustainability increased over 2020. After the review by Alpha, we launched our sustainability initiative and established a new governance structure[3] to oversee and drive forward specific sustainability initiatives across our investments, operations and client functions. We were successful in several areas including:

- Refining our vision and updating our corporate purpose
- Establishing a policy review working group
- Creating a bespoke ESG dashboard, aggregating ESG data from various sources onto one platform for investment managers
- Embarking on several ESG projects focused on improving transparency, including enhanced ESG client reporting.

Outcomes

As shown in the disclosures and case studies (such as the case study below) throughout this report, our purpose and investment beliefs have guided our stewardship and decision-making throughout 2020.

These successes are part of how we serve our clients' needs and ensure that we will continue to meet their needs as these evolve.

Our commitment to improving transparency and disclosure led us to publish our first stand-alone Sustainability Report in 2021, and we have publicly committed to disclose our management of climate risk using the TCFD framework in 2022.

[2] See principle 2 for more information on the GRI team

[3] See principle 2 for more detail on governance structure

CASE STUDY

Engaging on safety controls and health conscious consumers

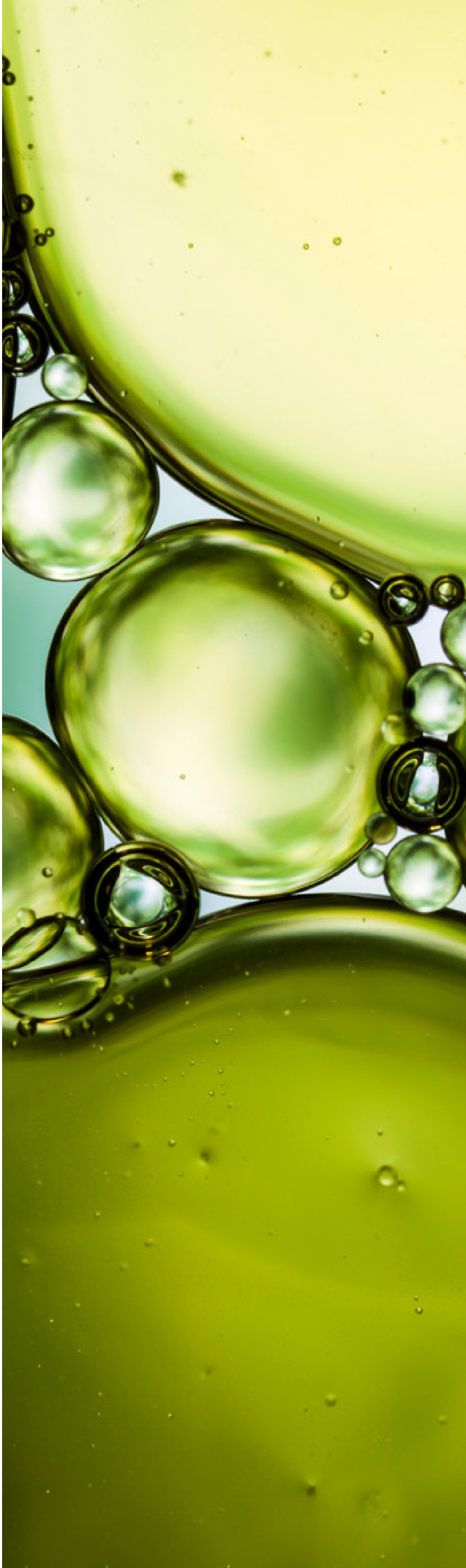
The AIM-listed company is based in the Isle of Man and is the global leader in the manufacture of kettle safety controls with a market share by volume of 40%.

Its controls are used an estimated 1 billion times a day by 15% of the world's population across more than 100 countries. Growth is supported by moves into less penetrated kettle markets like the US and complementary areas such as water filtration, steam management and temperature control. Water filtration is an exciting growth area for the company. The increased focus on health conscious consumer choices is driving new product development.

The company proved its resilience during the pandemic by maintaining a high level of profitability, sensibly managing its balance sheet and continuing to pay a dividend.

We engage with management on a regular basis and have been to the Isle of Man, an island with UNESCO biosphere status, to see the factories first hand. ESG topics generally feature in our conversation with company management and, in 2020, this included the need to improve disclosure and a discussion of new market opportunities.

We have been encouraging management to better disclose their approach to sustainability, so we were particularly pleased to see the publication of the company's Sustainability Report 2020 at the end of last year.



STEWARDSHIP CODE PRINCIPLE 2

Signatories' governance, resources and incentives support stewardship.

Activity

GAM has re-modelled its sustainability governance structure in 2020 to improve oversight and accountability for effective stewardship and to deliver on our commitments to sustainable investing.

As shown in Figure 1 below, we created a new global role reporting directly to the Group Chief Executive Officer Peter Sanderson. As Global Head of Sustainable and Impact Investment, Stephanie Maier is responsible for leading GAM's sustainable investment strategy, leading our Governance and Responsible Investment (GRI) team, strengthening GAM's range of sustainable investment strategies for clients and driving our efforts to be at the leading edge of best practice.

In 2020, we created a new Sustainability Committee, now chaired by Stephanie Maier, that reports on our progress to the Group Management Board and the Board of Directors on a quarterly basis. Non-executive director, Katia Coudray is responsible for championing sustainability at the Board level.

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

In early 2021, the governance structures were further developed to strengthen ESG integration and stewardship. The newly reconstituted Responsible Investment Committee (RIC) (formally the Responsible Investment Advisory Board) is one of two supporting committees to the Sustainability Committee. Our Global Head of Sustainable and Impact Investment chairs the RIC, that comprises our two heads of investments, senior investment managers from across asset classes, and senior members of our GRI team.

The RIC responsibilities include:

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

An additional layer of oversight comes from the Boards of the management companies of our funds. These Boards will review our proxy voting and stewardship activities at least annually.

Figure 1: Governance for sustainability

GAM Holding AG Board

Independent NED - Katia Coudray

Group Management Board

Sustainability Committee

Oversight committee
Reports quarterly to the Board

Global Head of Sustainable and Impact Investment - Chair
Cross-functional / regional representation

Responsible Investment Committee

Support committee

Global Head of Sustainable & Impact Investment - Chair
Head of Discretionary Investment - Sponsor
Head of GAM Systematic - Sponsor

Cross-asset class representation

Sustainability Operating Committee

Supporting committee

Chief Operating Officer - Chair
Global Head of Sustainable and Impact Investment

Cross-functional / regional representation

Resourcing stewardship activities - We have several senior and experienced team members to ensure our stewardship commitments are fulfilled. These include Stephanie Maier who was formerly Director for Responsible Investment at HSBC Global Asset Management and sits on the Steering Committee for Climate Action 100+, the world's largest collaborative shareholder engagement on climate.

Stephanie Maier provides oversight to our GRI team, a dedicated resource that works with our investment teams on stewardship and ESG research across our whole portfolio.

The GRI team is independent of investment teams and reports to the Global Head of Sustainable and Impact Investment. The team comprises six individuals and we are now in the process of recruiting a further corporate governance analyst to support voting and engagement activity. Diversity and inclusion are critical to our success, and we believe that by fostering an environment that embraces diverse perspectives we become better investors. Our GRI team represents a range of academic disciplines, age and gender. Four out of the six members of the team hold the Investment Management Certificate (IMC) and two hold Masters degrees. Two are undertaking the CFA ESG Certificate and one is pursuing a Masters in Sustainability Leadership at Cambridge University and they plan to complete these in 2021.

The GRI team's principal functions are:

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

Voting – Voting is a fundamental part of active asset management. The Proxy Voting and Corporate Governance Policy outlines our corporate governance expectations for companies, our approach on key voting issues and our procedures. We aim to vote all shares for which we have voting authority.

We retain the services of a proxy advisor (Institutional Shareholder Services (ISS)) to assist in implementing and administering proxy voting. ISS provides written analysis for each company resolution based on our policy, but the ultimate voting decision is made by GAM. The GRI team is responsible for making our voting recommendations and for our active holdings these are reviewed by the relevant investment manager. We make voting decisions for all our funds publicly available on a monthly rolling basis on our website.[4]

Training – Training and knowledge sharing is key to continuous improvement. This takes the form of both formal external qualifications such as the CFA UK Certificate in ESG Investing and internal knowledge sharing and micro-seminars.

We have a group-wide learning management system (GAM Learn) that provides a centralised repository for all learning and development needs. This includes four dedicated modules from Swiss Sustainable Finance (SSF). We launched LinkedIn Learning, a new e-learning resource for all employees with a digital library of more than 6,000 courses. We also support professional qualifications such as the IMC and CFA. In 2020, several colleagues across GAM enrolled in the new CFA UK Certificate in ESG Investing.

For 2021, we are incorporating an objective for all employees to have a minimum of 4 hours of ESG-related training. We will be reviewing an appropriate externally accredited course for our investment and distribution functions for more specialist knowledge and general courses and internal micro-seminars for foundational knowledge across the organisation.

Investment team compensation and 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 early 2021, our Compensation Policy was updated in order to reflect the requirements of regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ('SFDR'). Our Compensation Policy will operate 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 the investment performance used to determine formula-based bonuses payable to fund managers. The Group's **Compensation Policy is available on our website**.

Outcomes

Given the significant changes to our governance structures and processes in 2020, it is too early to make any firm assessment on their effectiveness, but we are confident that they will better support our stewardship efforts and aim to report on this in next year's report.

[4] See **www.gam.com**

STEWARDSHIP CODE PRINCIPLE 3

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

Context

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

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

Activity

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

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

In any such circumstances, GAM will take steps in accordance with the Conflicts of Interest Policy, the Global Proxy Voting Procedures and the Global Proxy Voting Guidelines to advance clients' best interests in relation to companies in which GAM invests on behalf of clients. In particular circumstances, this may require the Global Head of Discretionary Investment Management to make the vote decision, inclusive of a documented rationale to be agreed by the Executive Board of the relevant GAM Group company, as notified to the Global Conflicts of Interest Committee.

For more information, please refer to our Global Conflicts of Interest Policy, and our Engagement Policy, available on our website.

Outcomes

There were no instances in the period relevant to this Stewardship Report in which a conflict arose that prevented GAM from engaging with a company or making a proxy voting decision on behalf of clients.

STEWARDSHIP CODE PRINCIPLE 4

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

Activity

The COVID-19 pandemic has demonstrated that we live in a complex, interdependent world with multiple economic, environmental, social and technological risks. We actively work to identify and respond to market-wide and systemic risk, as is the case with climate change (see box on p.13). This work draws on both our firm-wide risk management framework, explained in detail in our Annual Report, and external sources such as the World Economic Forum's Global Risks Report. 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 risks.

Figure 2 below shows some of the key sustainability factors we identified which present market-wide risks.

We are conscious that our investment actions and choices have a lasting tangible and real impact on society, the environment and the communities in which we operate. We also have a fiduciary responsibility to act in our client's long-term best financial interests. This includes integration of systemic as well as stock specific risks. The case study below on our European Equity Team is a one example of this.

Figure 2: Key sustainability factors

Environment – Environmental factors include those relating to the use and availability of natural resources, such as water, in the manufacture, use and disposal of products and services. 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.

Climate change – We support the 2015 Paris Agreement goal of limiting global warming to well below two degrees Celsius and 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.

Social – Social factors include 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.

UN Global Compact – We support the Global Compact's ten principles in the areas of human rights, labour rights, the environment and anti-corruption derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. Any serious breaches of these principles will result in enhanced due diligence.

[5] Source: World Economic Forum Global Risks Perception Survey 2020

CASE STUDY

Investing in Europe-wide sustainability

Our European Equity team believes that economies and societies will make, or be required to make, significant changes to decarbonise. Many industries and sectors will undergo structural change and increased regulation, impacting the companies operating in these industries and sectors.

The team's processes reflect this philosophy through the companies we have in the portfolio across industries. We seek to invest in companies that are directly engaged in activities, services and the manufacture of products that allow the world to decarbonise. We will also invest in companies transitioning to a low carbon path if we believe that path to be credible and financially rewarding for shareholders.

Companies that blatantly ignore multiple stakeholders' welfare or society at large risk censure, reputational damage and economic damage. Therefore, companies must have strong visibility and transparency over their supply chains, manufacture products or offer services that are responsible and not adverse for their consumers and treat their employees with respect.

We expect companies that engage in activities such as alcohol or gambling should have strong evidence for responsible sales and marketing practices, a firm commitment to high regulatory compliance and a desire to lead the industry in good practice.

Our team believes that good governance is critical across all companies. We look to invest in businesses with competent and honest executives and consistent evidence that the businesses consider shareholders' interests without damaging other stakeholders' interests. Our meetings with management are an essential part of our investment process, and we continually look to evidence appropriate management behaviour. The team values a good understanding of proper and positive corporate behaviour and requires an independent and stock-specific assessment for each investment.

Collaboration – Given the systems-wide nature of these challenges, we actively look to work with industry initiatives and other stakeholders to promote continued improvement of the functioning of financial markets.

Examples of where we have worked with stakeholders or industry initiatives to improve the functioning of financial markets are detailed in Principle 10 of this report. These include our work with the Access to Medicines and Access to Nutrition initiatives and with Climate Action 100+, one of the most important global collaborative engagement initiatives on climate. Figure 3 below shows the full list of collaborative initiatives we support.

Figure 3: Collaborative initiatives we support

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

Outcomes

We are encouraged by some of the outcomes on collaborations such as Climate Action 100+, as detailed in Principle 10, where half of engaged companies have now committed to reach net-zero emissions by 2050. We will continue to engage on systemic issues both directly and collaboratively with companies and increasingly on policy advocacy through industry groups. We joined IIGCC and UKSIF in 2020, in part to increase this aspect of our stewardship.

Climate change as a systemic risk

Climate change poses an extreme risk to the global economy, environment and international and national security. The climate's breakdown is a systemic risk to our clients due to the economic and political consequences and the physical impacts of climate change. The scientific consensus that we face material risks resulting from human-made carbon emissions is now overwhelming.

We encourage all relevant companies and entities that we invest in to:

- Implement a strong **governance** framework which clearly articulates the board's accountability and oversight of climate change risk;
- Take action to **reduce greenhouse gas emissions** across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to well below two degrees Celsius above pre-industrial levels, or net-zero emissions by 2050 or sooner; and
- Provide enhanced **corporate disclosure** in line with the **final recommendations of the Task Force on Climate related Financial Disclosures (TCFD)** and **sector-specific Global Investor Coalition on Climate Change (GIC) Investor Expectations on Climate Change guidelines** (when applicable), to enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below two degrees and improve investment decision-making.

STEWARDSHIP CODE PRINCIPLE 5

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

Activity

2020 Policy and Governance Review – As outlined in our Principle 1 response, at the beginning of 2020, we engaged Alpha FMC's services to review our policies and procedures. We created a working group chaired by our Global Head of Legal, with members from Compliance, Legal, GRI, and Investments. We reviewed over 50 sustainability and ESG-related policies across the firm in 2020, from the investment focused Engagement Policy to the Corporate Policy on Cybersecurity.

In 2020, we also formalised our regulatory oversight, having established a regulatory oversight committee. We have invested progressively to strengthen our structures, processes and systems, including our Risk and Compliance teams, to meet an increasingly complex regulatory and business environment. We recruited specialist compliance expertise in financial crime, conflicts of interest, regulatory advice and development, and compliance oversight. We have developed our governance and control arrangements as part of our more comprehensive Risk Management Framework. Enhancements have been made to the day to day oversight of risk by shifting regionally-based governance arrangements formerly to a group-led model via the implementation of a series of global oversight committees, covering Risk, Compliance, Investment, Product and Distribution and Operations functions. From a policy and regulatory perspective, we continue to monitor and track policy and regulatory landscapes, with Europe, in particular, leading the way in bringing new policy and regulation.

In early 2021, we updated our Responsible Investment, Engagement and Exclusions policies. Our responsible investment policy framework is now subject to annual review.

PRI rating – We became a signatory to the Principles for Responsible Investment in 2015 and are pleased to have seen continued improvement in our ability to integrate ESG factors and to report on our ESG-related activities. We achieved our first ever A+ rating for governance and strategy in 2020 (for reporting period FY2019).

In the final quarter of 2020, the GRI team conducted an internal ESG survey of GAM's investment strategies across all asset classes. The results will inform both how we drive ESG integration and how we implement the appropriate requirements under the EU Sustainable Finance Disclosure Regulation.

> Internal/External Review - We compile this report from several sources of information, including our Annual Report, Sustainability Report, MiFID II data, ISS data and information from the portfolio manager ESG survey. The majority of these sources have been verified and reviewed. This report is reviewed by our Group Management Board. We plan to conduct an internal audit in 2021 to support the preparation of material for our stewardship and sustainability reporting going forward.

Outcomes

We believe that the review undertaken in 2020 and subsequent measures put in place provide us with a strong foundation for strengthening and continually improving our stewardship policies, processes and outcomes. Our focus will be on implementation in 2021.

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

As shown in this Figure 4, our client base is predominately a mix of institutional clients (41%) and intermediaries i.e. a strong network of distribution partners, including financial intermediaries and advisers whose clients represent 51% of our investment management assets. A further 8% are private clients. Of our assets under management, the largest proportion is in fixed income (48%), but we have strong equity, multi-asset and systematic capabilities.

Activity

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

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

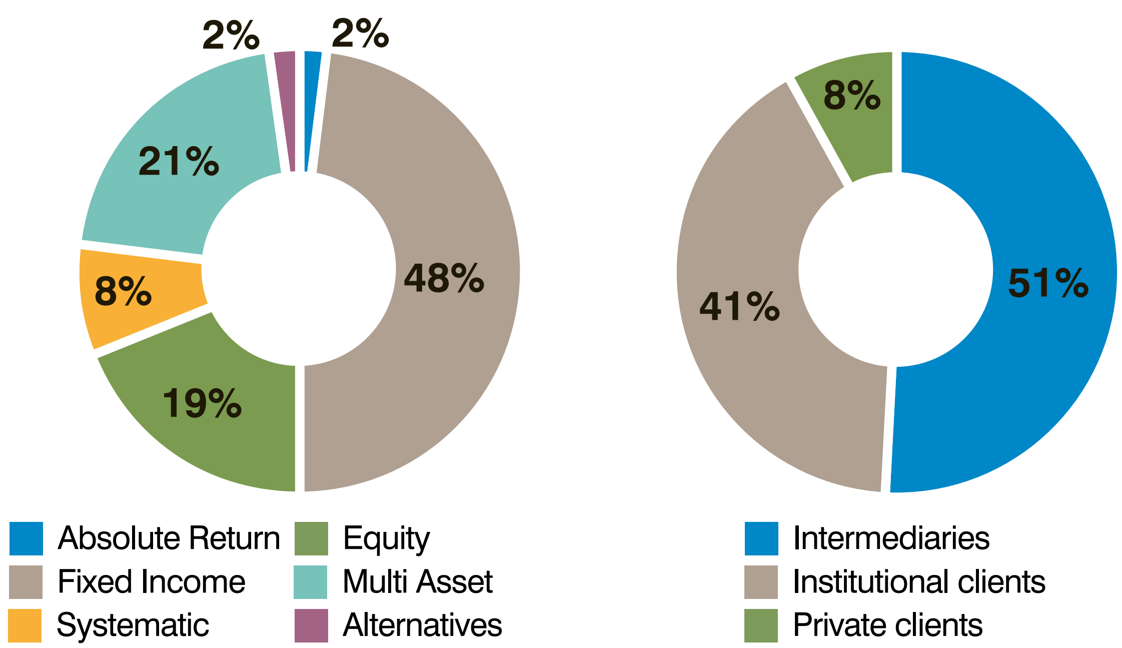
Client survey – In 2020, we undertook a dedicated ESG client engagement survey which found that over 82% of surveyed clients said that ESG warranted some or critical consideration in engagement and active voting practices. Notably, 70% of our clients also agree that advocacy with organisations and individuals, such as public-policy makers, regulators and industry bodies, is an important avenue for influencing societal, economic and environmental change.

We ran this survey to better understand client needs around sustainability and stewardship. We also collate our client's ESG- and sustainability-related questions in RFPs, and taken together these mechanisms help us to identify those issues that clients care about most and inform our stewardship priorities.

Outcomes

Our ESG client engagement survey helped us identify areas to improve, such as our communication efforts with clients relating to ESG and sustainability issues. To address this, we plan to enhance our reporting of engagement activity, including through enhanced fund reporting and via this Stewardship Report. We also plan for further client engagement and surveys in 2021.

Figure 4: Investment management assets by capability and client segment



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

As stated in Figure 2 (see Principle 4 section), we assess a range of environmental, social and governance issues prior to, during and while exiting a holding.

Environmental factors include those relating to the use and availability of natural resources, biodiversity and climate risk. Social factors include those relating to diversity and inclusion, health and safety, human rights and labour standards and governance factors include consideration of Board structure and independence, alignment of remuneration, transparency of ownership and control and accounting. We also prioritise those issues related to the ten principles of the UN Global Compact.

Activity

We have established an overarching framework outlining how we integrate ESG factors into our investment process.

1 ESG dashboard / quantitative assessment

Proprietary ESG dashboard using multiple ESG data providers and in-house voting and engagement developed to present ESG factors from both a bottom up security selection and top down portfolio level.

Materiality framework, informed by the Sustainability Accounting Standards Board (SASB) Materiality Map.

2 Qualitative assessment and analysis

The GRI team support with in-depth analysis of material ESG issues to complement investment manager's ESG analysis.

Direct and collaborative engagement can also play a key role in providing information where there are data gaps.

3 Investment team ESG integration review

The investment managers for each investment team make the final assessment on which stocks to buy/hold/sell given all the information.

Quarterly investment risk meetings include an ESG portfolio review flagging issues for discussion with the investment manager.

ESG scores

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

Controversies

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

Climate change

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

Business involvement

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

ESG data at GAM	ESG Dashboard						
ESG Research	ISS-climate solutions	MSCI ESG Research	RepRisk	Brokers	ISS Governance Quick Score		
Proxy voting analysis	ISS	Business Involvement Screens	MSCI ESG Research	Sustainalytics			
Major associations and membership organisations	UKSIF	ACGA	IIGCC	ICGN	PRI	SASB	TCFD
Technology enablers	Bloomberg	Microsoft Business Intelligence					

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

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

The GRI team utilises several resources to assess and ensure material ESG risks are considered in line with the needs of our clients. To identify which sustainability issues are most likely to affect the financial condition or operating performance of companies within an industry, we apply a materiality framework, informed by the Sustainability Accounting Standards Board (SASB) Materiality Map.

From 2021, our Responsible Investment Committee also provides a forum to share ideas and thinking to further support ESG integration and stewardship across the investment teams.

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

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

In 2020, we engaged across a wide range of material ESG factors and issues from climate to coronavirus. This allowed us to assimilate our understanding of the economic, environmental, societal and industry-specific systems and factors that affect companies. It also enabled us to contextualise the various market forces that impact society's stability and the capital markets.

Quarterly investment risk meetings, conducted by our Global Head of Discretionary Investment and our Investment Risk teams, with input from our GRI team where appropriate, include an ESG portfolio review, which identifies any companies with poor ESG or carbon scores or controversies, for discussion with the investment manager.

Outcomes

The information which we gather through our engagement and active ownership helps inform our investment decisions.

One example was the engagement by our Asian equity team with one of the fastest-growing Chinese online after-school tutoring companies. The company had benefited from the growth in online education during COVID lockdowns. However, after an engagement that included participation in the company's investor meeting in April 2020 and due to concerns over corporate governance, some minor regulatory and legal issues and other factors, the team decided to sell their position.

Similarly, our Japan Equity team decided to maintain its position in a Japanese healthcare firm following an engagement in May 2020 that was in part related to the increased use of Artificial Intelligence (AI) in diagnosis. Further examples of how stewardship informs our investment decisions are included throughout this report.

In 2020, we did not set out an engagement plan; instead, we focused our engagement efforts on those issues that arose throughout the year. We worked with investment managers to identify areas of concern within their funds, identify engagement opportunities, and encourage them to lead our overall engagement efforts. In 2021, we will have a more structured engagement plan taking a view of material issues from both a top down and bottom up perspective[6].

[6] See principle 9 for more on engagement

CASE STUDY

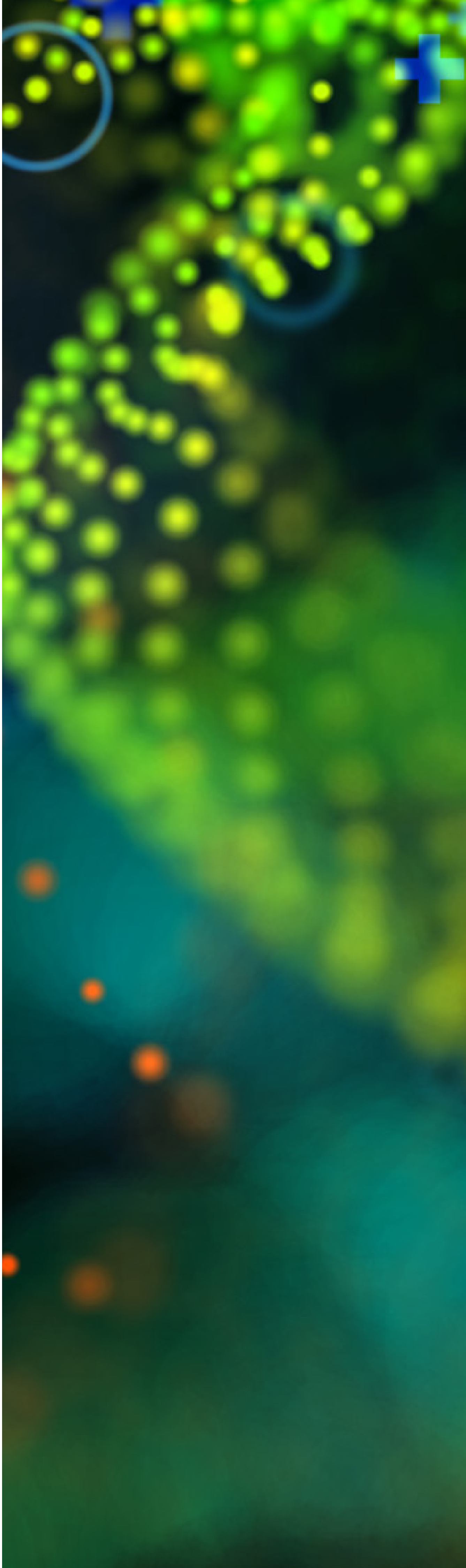
Bespoke ESG research informs an engagement in Japan

In 2020, before the COVID-19 pandemic, our Zurich based Japanese equity team was in Japan for a series of meetings and site visits with several companies, including a large auto manufacturer.

The GRI team highlighted governance issues, including quality and safety issues, noting failings in governance oversight, amplified by a perceived lack of action to address the issues. Specifically, the company faced accusations of falsifying fuel economy testing data, conducting improper fuel-economy and emissions inspections, and conducting fuel tests in conditions contrary to regulations.

These concerns were raised directly with management, with the company responding positively and committing to increased disclosure, better quality information, and a commitment to greater oversight of operations.

This commitment came following an in-depth investigation ordered by the Ministry of Land, Infrastructure, Transport and Tourism, which lead to the recall of more than 2 million cars in Japan and a one-off loss of ¥80 billion as a consequence. The company will invest ¥170 billion over the next five years. The measures will include increasing the number of inspectors, updating production planning, and renewing inspection facilities. The company also plans to strengthen the compliance and risk control systems at Board-level.



STEWARDSHIP CODE PRINCIPLE 8

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

Activity

External managers – We expect external investment managers (EIMs) of GAM funds to comply with our stewardship related policies, including our Code of Conduct and Engagement Policy. We have developed and implemented an oversight framework of EIMs of GAM funds (External Investment Management Oversight framework) to help ensure that this is the case.

There are transparent and regular conversations with our EIM's on all services including stewardship-related activities. Oversight is informed by quantitative performance and risk reporting and minuted quarterly performance/risk review meetings. Additional oversight measures are the monthly production of key performance indicators (KPIs) and onsite operational due diligence visits.

The reviews conducted with EIMs include due diligence on ESG/ Sustainability issues and proxy voting (where appropriate). These ensure that our EIMs comply with all regulations and policy as laid out in individual contracts. Our three external managers are all PRI signatories.

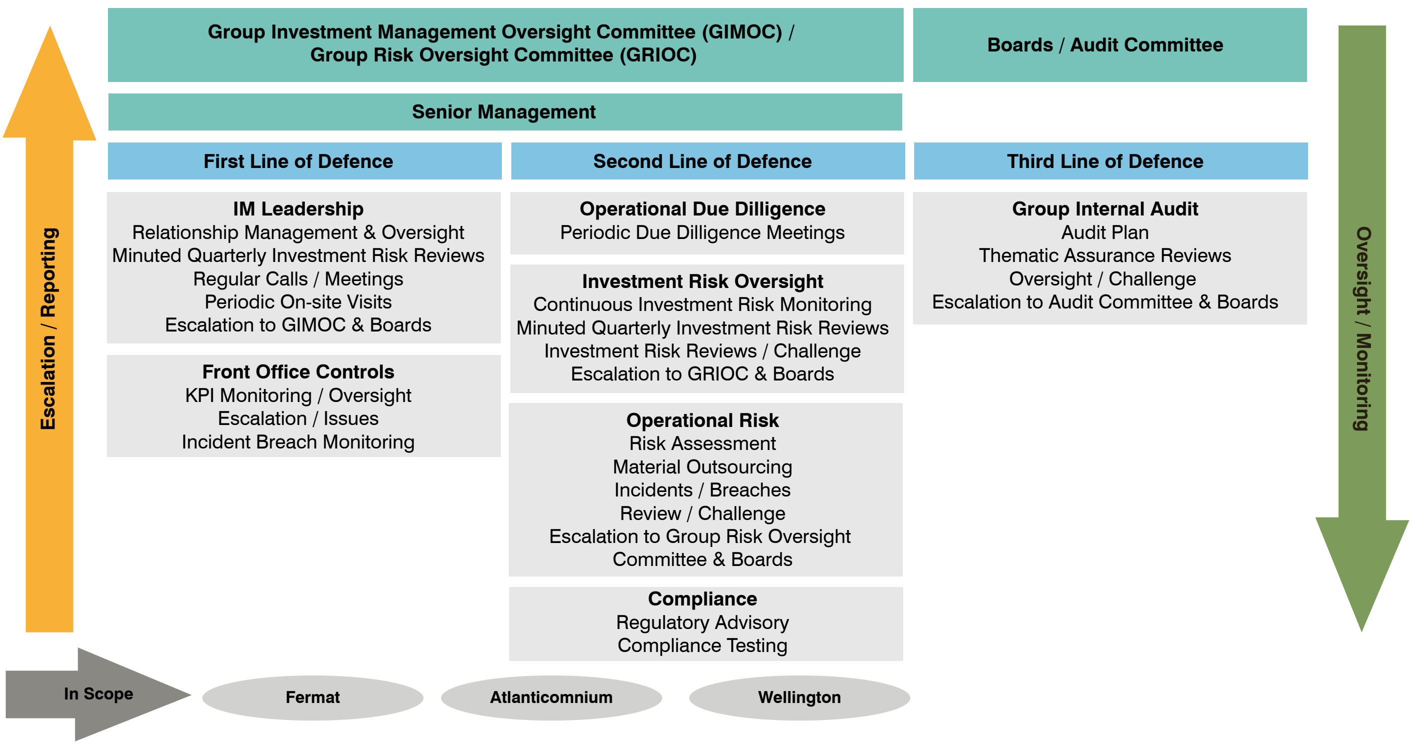
Oversight of EIM's within the investment business is an activity that now spans the firm's three lines of defence – as illustrated in Figure 7.

Service providers – We generally set our ESG data provider contracts on a three-year rolling basis; we review their services and data quality continually and provide them with feedback at least annually, if not more often. In the final year of the contract, we do a full review with the data vendor.

Outcome

We are satisfied that the services provided to us in 2020 enabled us to deliver effectively on our stewardship activities.

Overarching framework for EIM oversight of GAM funds



STEWARDSHIP CODE PRINCIPLE 9

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

Activity

We view engagement with issuers as a critical part of fulfilling our duty to be a good steward of our clients' assets.

There are no formulaic rules which set out how we engage. The specifics of each engagement will depend on the nature of the issue, the company, market, local regulatory requirements and investment team.

Our dominant approach focuses on developing a one-to-one dialogue with targeted investee companies, which can be a one-off or multi-year. We aspire to meet with any actively held investee (or potential investee) company on an at least annual basis. Our aim is for pragmatic, positive and productive dialogues around clear ESG-related objectives.

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

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

Engagement Policy – Engagement is fundamental to assimilating information and our understanding of an organisation's use and management of the five types of capital (natural, human, social, manufactured and financial). It enables us to assess the sustainability of an organisation's operations, products and services and to appraise its commitment to considering the impact of its activities and the effectiveness of its decision-making.

We recognise that engagement is a component of allocating, managing and overseeing capital. While it is one technique available to us as investors to create long-term value for clients, our entry and exit decisions are another.

We updated our Engagement Policy in 2021 and committed to engage companies on ESG and sustainable issues in a more methodical way going forward. We are committed to engaging in-line with the following principles:

- we engage with a clear purpose
- we are transparent about our objectives, expectations and timeframes for action
- we focus on material factors which may include ESG factors
- it is with a flexible, open-minded and responsive mind-set
- it is to add value to stakeholders and the business.

Our approach also includes engagement with sovereign issuers where relevant and our investment teams. had several calls in 2020 with ministries of finance and central banks around the world, including calls with the South African Reserve Bank, the Central Bank of Turkey, Bank of Mexico and Bank of Brazil. In all cases, they went into these calls with the aim of better understanding the Central Banks' reaction function, and to raise issues they felt were of concern.

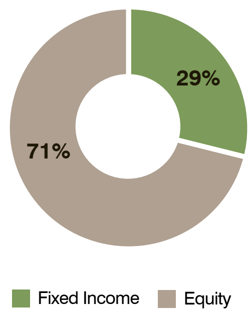
Outcomes

Despite the difficulties of 2020, our investment managers still met with over 1,000 companies and conducted over 2,700 meetings and conference calls.

We do not at this stage log all our engagement activity, or report on a granular level which issues, methods or milestones have been reached. However, in early 2021, we launched an engagement tracking tool. This tool will help us to capture and report our engagement in greater detail in future years.

As shown in Figure 8 below, we can reflect that more of our engagements were related to equity, as opposed to fixed income issuers, although GAM has a higher proportion of fixed income assets. Next year, we should also be able to report the proportion of engagements by type of asset class.

Figure 8: Engagements by asset class



[7] See our engagement policy on our website for more information **https://www.gam.com/en/policies-and-disclosures**

CASE STUDY

Building better corporate governance with a major house builder

Objective: Remuneration and Board composition (diversity) and Board effectiveness

Type: Equity

Over two years, we engaged with an Irish house builder on several key ESG issues, focusing predominantly on the social issues of diversity and governance concerns related to excessive executive compensation structures and Board effectiveness. In addition to several meetings with executives, we met with the Chairman and Remuneration Committee on several occasions, raising concerns over the founder share scheme, significant benefits, large pension contributions and annual bonus. We voted against the approval of the compensation report in 2018 and 2019. We voted against the re-election of the Remuneration Committee Chairman in 2019 after he failed to implement any of the changes we recommended.

Outcomes: Concerning Board effectiveness, we recommended the Chairman seek to appoint new non-executive directors with significant industry experience and reduce the heavy exposure towards directors from a banking background. We also recommended that he look to nominate directors that would be sufficiently diverse from an ethnic, cultural and/or gender perspective, notwithstanding that the company operated in a highly homogenised industry.

Towards the middle of the year, we began exiting the stock after:

- the announcement of the appointment of a Chief Financial Officer, the third CFO in four years
- the violation, in our view, of the spirit of the founder share class, in particular, the large sale of shares by the CEO and founder over recent years which had a significant negative impact on the stock and showed a lack of long-term commitment to the business
- unresponsiveness of the Board to our concerns, and
- concerns over the supply chain contracts.

Actions: While divestment is a last resort for us, we felt the above issues, in conjunction with complex Irish macro and housing policies, left us with little alternative. The engagement and our voting strategy, we believe, while not ending in the way that we would have preferred, enabled us to make a positive change to the investment strategy of the fund and has been a net-positive for the performance of the fund, following a significant price depreciation of 47% in Q1 2020.

CASE STUDY

Encouraging a finance giant to reduce climate risk

Objective: Understand the group's strategy around lending to carbon intensive industries

Type: Fixed income

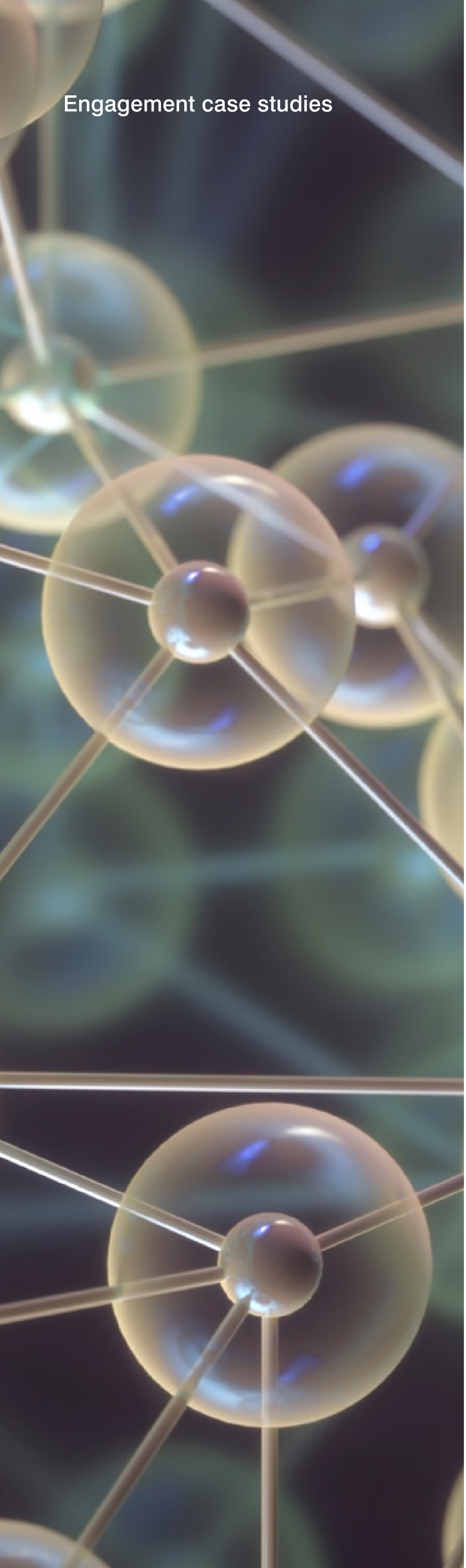
In 2020, we engaged with a European bank to understand how it planned to manage lending to carbon intensive industries such as energy, commodities and transport.

These sectors have been a significant part of the group's Corporate & Investment Banking (CIB) loan book, and has underperformed over the past few years. The Covid-19 crisis has further stressed these sectors increasing the group's risk profile and vulnerability to climate change.

We held an initial call with senior management who assured us they were carefully reviewing these exposures, admitting these are laggards for the group.

Outcomes: As part of the group's 2020 results, the company announced a big overhaul of the group's CIB division, in which €17bn of exposures will be reduced, mainly in problematic sectors such as non-EU transport & natural resources. This will significantly reduce the group's earnings volatility (risk for bondholders) as well as exposure to climate risk. About 80% of exposures are expected to run-off by FY23.

Actions: We were satisfied by the management's plans to reduce the carbon intensity and exposure to climate risk stemming from its CIB lending book and concluded the engagement.



CASE STUDY

Encouraging knowledge sharing and deeper ESG ambition

Objective: To understand the group's sustainability initiatives and to provide guidance on investor expectations

Type: Equity

We held initial informal discussions with an international distributor of building materials and related activities listed on the London Stock Exchange to understand their plans to manage a set of ESG issues, including diversity, biodiversity, climate, waste and packaging.

It is a wide-ranging group and management are consulting with each business unit on what ESG initiatives are appropriate for each business brand.

Outcomes: The company has committed to developing a sustainability strategy.

A key area of discussion has been carbon emissions and their strategy for decarbonising their businesses. The group has begun putting targets in place for reducing carbon emissions by 50% by 2030 (off a base year of 2018/2019). A key plank of their strategy is to transition their significant fleet of staff cars and at least 25% of goods vehicles to electric or hybrid vehicles. We have outlined the benefits of improving their emissions reductions targets by making them 'science-based' and by reporting against recognisable sustainability frameworks.

In relation to waste and packaging, we discussed the need to decrease plastic packaging and reduce their plastic footprint. They have some initiatives they are working on, for example, using thinner plastic coverings, however, the majority of the work will need to be done with their value chain including suppliers, and the potential to educate customers through mechanisms such as putting eco-labels on products.

Actions: We have committed to ongoing conversations with the firm about ESG issues at regular intervals (e.g. twice a year) to keep track of progress and to gain a sense on how these initiatives are adding value to the group and individual businesses.

CASE STUDY

Hearing first-hand about a committment to health and safety

Objective: Understanding how health and safety policy is implemented

Type: Equity

We engaged with a small cap, family controlled, international food manufacturing company specialising in fresh prepared foods.

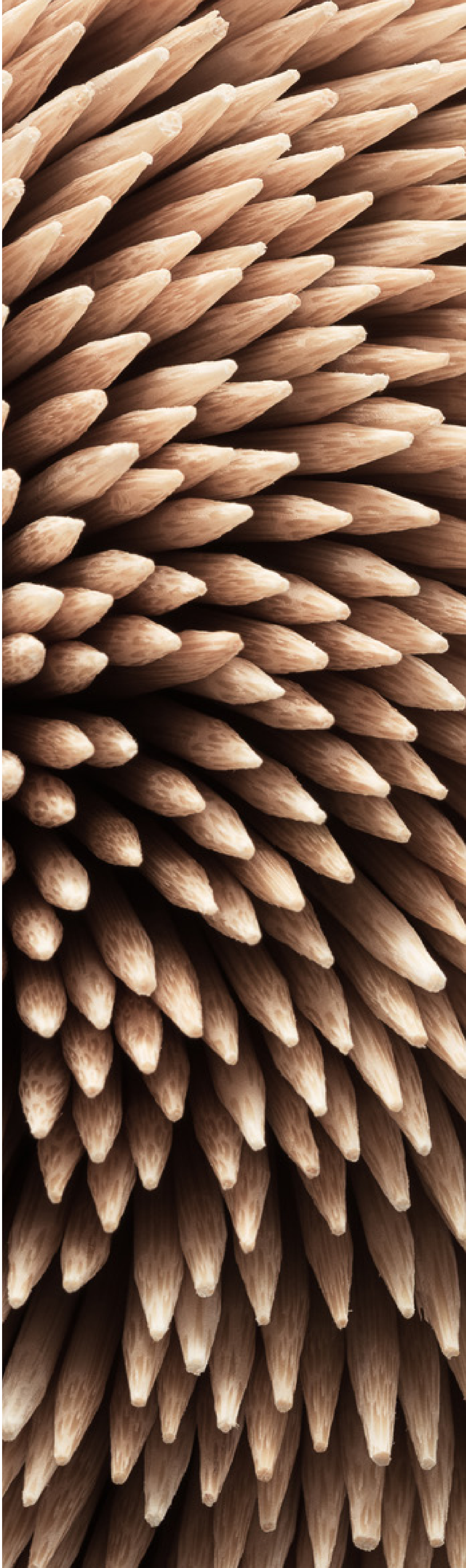
Key customers, such as Tesco, demand the highest standards when it comes to products and the workforce. We learnt from our engagement that health & safety is at the core of the company's DNA. This is extremely important as the relationship with clients has changed considerably over the past few years. It has become far more of a partnership approach. Sole supply has become more common and the associated benefits of economies of scale can be passed on to customers in the form of lower prices.

Recent trading has been encouraging with company earnings beating expectations. Furthermore, management have done a good job of protecting revenues. This comes from the important relationships they build over time with clients.

We have also engaged on reports in the media of some staff members being made to work through the pandemic. The company has cold storage units that have seen higher than average infections in staff.

Outcomes: The company provided us with assurances on testing procedures and retraining of management to improve heath and safety practices.

Actions: We continue to monitor the situation and health and safety performance.



STEWARDSHIP CODE PRINCIPLE 10

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

Activity & Outcomes

We recognise that many environmental and social issues, such as climate, nutrition challenges, access to medicines or safety standards, are complex, global issues where one institution acting alone cannot make as much progress as engaging collectively. We therefore recognise that we must work collaboratively with like-minded investors if we are to positively influence the behaviour of issuers.

Some of the key collaborations that we have been involved include:

- **Climate Action 100+**: CA100+ is the world's largest investor engagement on climate, urging the biggest corporate greenhouse gas emitters to take necessary action on climate change. Through our new Global Head of Sustainable and Impact Investment, we sit on the Steering Committee of CA100+, and we support key engagements with certain companies, for example Vale.

  Outcomes: The engagement is making meaningful progress, as of December 2020, half of the 167 focus companies of Climate Action 100+ have now established commitments to reach net-zero emissions by 2050 or sooner. The publication of the Net-Zero Company Benchmark in March 2021 illustrates that there is still considerable action required but the results show positive progress in encouraging the world's most carbon-intensive companies to transition to net-zero by 2050.

- **Access to Nutrition Indexes**: ATNI assesses and engages with leading food companies to help tackle the dual global health crises of obesity and undernutrition. We support the engagement work done by ATNI and recognise that the high individual, societal and economic costs of poor diets impact those companies we invest in, our portfolios and the asset values of these investments in the short, medium and long term; not only in the food and beverage sectors but much more widely.

  Outcomes: The last global Index (2018) found that several leading food and beverage companies have stepped up their efforts with the average Index score improving from 2.5 in 2016, to 3.3 in 2018. However, results show that all companies need to do much more to walk their talk on fighting obesity and undernutrition.

- **Access to Medicine Foundation**: Access to Medicines identifies best practice, tracks progress and shows where critical action is needed to improve access to medicine for the poor, focusing on low- and middle-income countries. We have supported Access to Medicines from the beginning of 2018 and support key engagements with certain companies, for example Johnson & Johnson, led by our senior Healthcare Analyst.

  Outcomes: The next access to Medicines Index will be out in 2021.

- **The Mining and Tailings dam safety initiative**: This collaborative engagement was set up to seek an urgent response from extractives companies to tailings dam safety concerns, following the Vale Brumadinho tailings dam disaster. Through this initiative, we have had several interventions, including, the call for a new independent and publicly accessible international standard for tailings dams based upon the consequences of failure, and for detailed disclosure on tailings storage facilities.

  Outcomes: The collaboration has launched the first ever public global database of tailings dams and in August 2020 saw the publication of a Global Industry Standard on Tailings Management. We believe these disclosures will drive a new level of accountability and transparency within the mining sector.

- **The transparency in the supply chain initiative**: It requests that listed UK companies undergo an enhanced assessment of the risks of human rights abuses in their supply chains. Human trafficking and modern slavery have a significant economic impact globally, with substantial implications for companies involved, in particular, to brand and reputation, should their operations be linked to such activities.

  Outcomes: At GAM, we supported CCLA in this endeavour, resulting in the modern slavery report. There is still much to be done, and we will continue to focus on this work, expanding it to global engagement with our investee companies.

We are also members of, or support, initiatives and organisations who help in collaborative engagement efforts directly or through setting appropriate standards. These are detailed under our response to Principle 4 above.

STEWARDSHIP CODE PRINCIPLE 11

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

Activity

Escalation strategies – Until this point, our engagement philosophy has been to operate very much in private one-to-one meetings and carefully selecting collaborative engagements where the approach mirrored our own. We believe that for engagement to be effective, there needs to be trust and for the most part this means that often our discussions and interactions remain confidential. To date, therefore, there has been limited escalation of stewardship activities and no specific instances in 2020.

Escalation process – As active asset managers, we engage actively with our portfolio (and potential portfolio) companies continually. The method we choose to interact with depends on the circumstances and issues. Possible topics over which we would likely intervene could include: gross misconduct, consistent failures or departure from the code, concerns relating to the execution of strategy or lack of long-term strategic direction, poor risk management, significant or compounding financial underperformance, or other concerns raised by stakeholders.

If we do escalate, the process will generally follow a request to meet with the non-executive Board's Senior Independent Director (SID), or the Board Chair, or Committee Chair. We will also seek to discuss issues with the most senior executive directors. Often an engagement can take many years before the company makes progress. If our discussions with executives have not yielded results, we will raise our concerns with the Board chairman or senior independent director.

If we consider a compelling argument to do so and expect a positive outcome, we can further escalate our engagement by collaborating with other institutional investors. For example, we are open to being involved in groups such as the UK investor forum, bringing like-minded investors together to discuss issues behind-closed-doors. We will also look for collaborative engagement opportunities through the PRI, and other organisations, for example, Eumedion or Asian Corporate Governance Association, and/or with other institutional investors.

Withholding support or voting against management at the annual meetings is also an important tool in the toolkit. To date, we have not filed or co-filed resolutions for the general meeting. However, we have supported many.

Measuring effectiveness – As active managers we are confident that our engagement activity can drive substantial improvements in corporate performance and behaviour, and contribute to more sustainable capital markets. However, we never claim that we are the sole cause behind such positive change and do not measure effectiveness in this way. ESG issues are often deep and complex and our engagements tend to be just one voice among others in the industry or in society at large.

Outcomes

There were no instances in 2020 where we needed to escalate specific concerns. We are planning to be more structured with potential escalation activities from 2021.

STEWARDSHIP CODE PRINCIPLE 12

Signatories actively exercise our rights and responsibilities.

Context

We believe that exercising our voting rights and responsibilities is an essential part of active ownership.

Our Proxy Voting and Corporate Governance Policy outlines our corporate governance expectations for companies, our approach on key voting issues and our procedures.

The objective of our policy is to promote value creation through corporate best practice, and mitigate corporate governance-related risks in our investee companies.

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

We support global standards of good governance, including the International Corporate Governance Network (ICGN) Global Governance Principles, the UK Corporate Governance Code, the OECD Principles of Corporate Governance, the UN Global Compact Corporate Governance framework, and the UN Guidance on good practices in corporate governance disclosure.

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

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

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

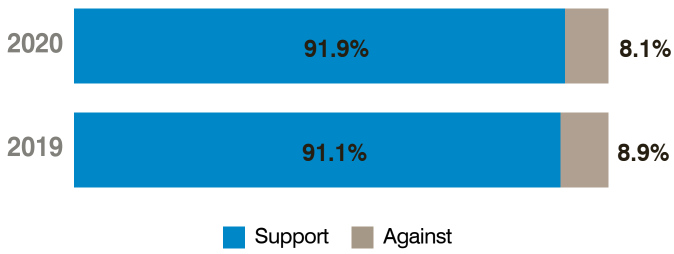
Due to differences in corporate governance standards and practices globally, we have developed broad geographic and regional guidelines to account for market-specific corporate governance standards. We also recognise that appropriate corporate governance practices can differ according to the company structure, size and nature of operations. We maintain a pragmatic approach in the application of these standards and best practice.

Activity

We publish our voting on our website www.gam.com/en/corporate-responsibility/responsible-investing:

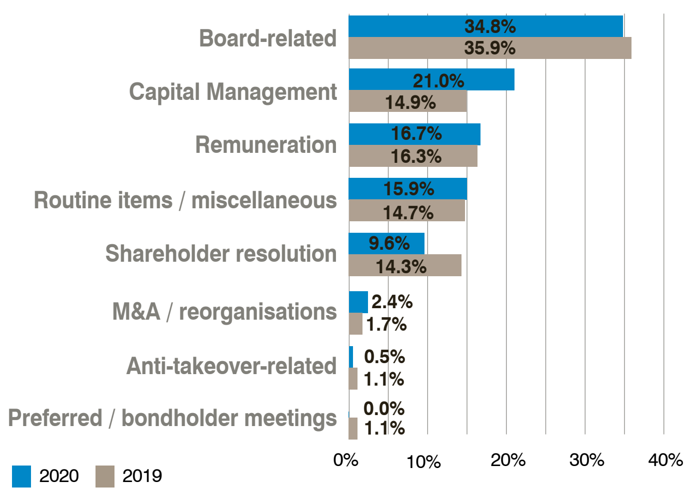
- We voted at 1,136 company meetings in 2020, almost 25% up on the previous year. This represents 98% of all possible meetings, which is up slightly from 97% the last year.

Figure 9: Votes in support and against management recommendation



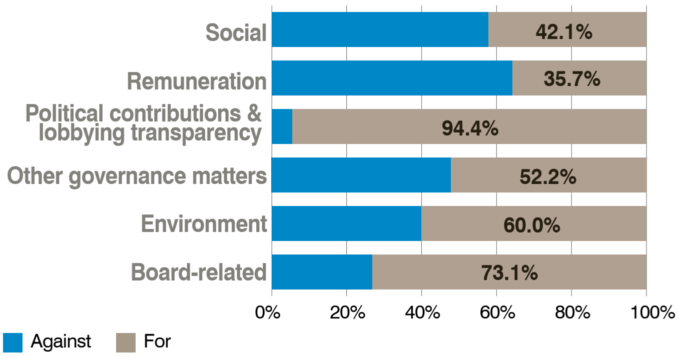
- We voted on 13,551 resolutions, 8.1% were against management, down slightly from the 8.9% the prior year.

Figure 10: Votes against management by category



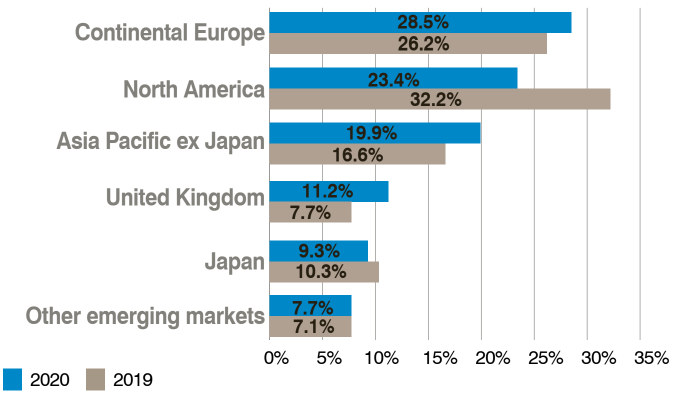
- Of those resolutions that we voted against, 35% related to the Board, 17% linked to remuneration, 21% involved capital allocation decisions.
- Of the 318 shareholder proposals, we supported 65%, flat year-on-year. Of the shareholder resolutions, we supported 73% relating to the Board, 94% of resolutions relating to increased transparency of political contributions and lobbying activities, 60% of environmental shareholder resolutions and 42% of social resolution.

Figure 11: Shareholder resolutions



- We voted across all global markets in 2020 as we did in 2019.

Figure 12: Shareholder meetings by geography



Our process

Oversight – Our policy and voting activity is reviewed at least annually within our Responsible Investment Committee and ultimately at Board level. Primary responsibility lies with our Global Head of Sustainable and Impact Investment, Global Head of Discretionary Investment and Global Head of GAM Systematic.

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

Voting decisions and escalation – We aim to vote all shares for which we have voting authority. The Governance and Responsible Investment (GRI) team is responsible for making our voting recommendations and, for our active holdings, these recommendations are reviewed by the relevant investment manager. If necessary, a decision may be escalated to the Global Head of Discretionary Investment and Global Head of Sustainable and Impact Investment. Our general policy is not to split votes. However, we can facilitate this in exceptional circumstances.

Securities lending – GAM has a securities lending programme for several of its funds. When shares are on loan, GAM is contractually unable to exercise voting rights for these shares and does not currently recall shares which are out on loan, for upcoming shareholder meetings. GAM is relatively frugal regarding stock lending, with only a small selection of our funds involved in this activity. However, our current policy is not to recall stock for voting unless in exceptional circumstances. We did not recall any shares out on loan last year.

Fixed Income – Our GRI team monitors all fixed income funds for any voting activity through ISS. These bondholder meetings are very rare and will be voted in line with the investment teams decisions.

Outcomes

We have seen a number of positive outcomes from the many resolutions which we have voted on over the past 12 months.

One example was the support for a shareholder resolution at French oil and gas major Total SA in 2020 which instructed the company to align its greenhouse gas emissions targets with a pathway to the Paris Agreement. In response to the resolution, we saw some welcome measures announced by Total ahead of the AGM, including an ‘ambition’ to be carbon neutral by 2050, and then subsequently saw support by 17% of shareholders for the resolution. That is a strong signal of support, and all the more significant because it was the first environmental shareholder resolution reported to be filed at a French company.

Similarly, we saw 44% of shareholders support a shareholder resolution we backed at a US multinational department store asking them to report on the reduction of their chemical footprint. This sent a strong message, and in February 2021, the company announced it was developing an expanded “Chemical Management” strategy.