

Stewardship, Engagement & Proxy-Voting Policy



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1. Introduction

1.1 Policy Statement

GIB AM acknowledges that effective stewardship is an important part of our responsibilities as a responsible investor. Our definition of stewardship is aligned with the Stewardship Code set by the Financial Reporting Council and our stewardship activities satisfy our responsibilities under the UN PRI principles 2 and 3.

Although we are not currently signatories, GIB AM supports the principles set out in the UK Stewardship Code.

This policy outlines GIB AM’s stewardship approach both with respect to engagement and proxy voting, includes our SRD II disclosure/statement and sets out how we have considered the Stewardship Code.

1.2 Scope

This policy applies to GIB AM’s active investment products: GIB AM Sustainable World Fund; GIB AM Emerging Markets Active Engagement Fund; GIB AM European Focus Fund; GIB AM Sustainable World Corporate Bond Fund; (together “GIB AM Active Funds”) and any segregated investment strategies replicating the GIB AM Active Funds.

1.3 Definitions

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Engagement is any communication with a company that improves mutual understanding, and it can also be used to effect a change at the company, including both financial and non-financial areas.

Proxy-voting refers to a ballot cast by a person or firm on behalf of a corporation's shareholder. Investment managers may also cast proxy votes on behalf of the funds that they manage or the underlying beneficial owner of a separately managed account.

1.4 Responsibilities

The roles and responsibilities under this Policy are set out below:

| Authority / Function | Overview of Role |
|--|--|
| IRPC | Endorses and oversees this Policy Tracks engagement with investee companies |
| BRC | Oversee management of potential conflict of interests |
| Head of Equities Head of Fixed Income | Ensures that Investment personnel have sufficient skills and experience to carry out their roles and responsibilities Agree stewardship target with each Investment teams and supervise their activities Select and oversee proxy voting third party provider(s) |
| Investment Teams | Set target and execute the stewardship activities for their investment strategy. Documenting stewardship target and engagement activities this and agreeing on it with either the Head of Equities or Head of Fixed Income as appropriate |
| Compliance | Owns GIB AM Conflicts of Interest Policy Maintain the Conflict of Interest Register Provide advice on mitigation of potential conflict of interests Monitors compliance with the Conflict of Interest Policy in line with the Compliance Monitoring Program |
| Internal Audit | Review adherence to this policy in line with Audit Program |

1.5 Review and Approval

This policy is reviewed by the Investment teams at least every 18 months.

The review focuses on a number of elements including ensuring that the policy reflects up to date practices and that the practices in place are effective.

Additional reviews would be triggered by changes in the Stewardship Code, UN Principles or business model.

Changes are approved by the IRPC.

1.6 Policy Assurance

The Heads of Equities and Fixed Income are responsible for the implementation of this Policy by the Investment teams.

The Policy is subject to Compliance oversight according to the Compliance monitoring plan and Internal Audit Review according to the annual audit plan.

1.7 Exceptions

Any exception to or deviations from have to be pre-approved by the Investment Risk & Performance Committee upon recommendation from the Head of Equities or Head of Fixed Income, as appropriate.

1.8 Related Policies and References

This policy should be read in conjunction with the following documents:

- GIB AM Responsible Investment Policy
- GIB AM Impact Report
- GIB AM Conflicts of Interest Policy
- Outsourcing and Third-Party Supply Code of Conduct

The above documents are available at www.gibam.com

1.9 Regulatory Background

1.9.1 FCA Regulatory Disclosure on the Stewardship Code

Rule 2.2.3R of the Financial Conduct Authority (“FCA”) Conduct of Business Sourcebook (“COBS”) requires an FCA authorised firm to disclose the nature of its commitment to the Stewardship Code or, where it does not commit to the code, its alternative investment strategy.

Adherence to the Code is voluntary.

While GIB UK supports the objectives of the code, it has not become a signatory of the code as the firm determines its approach to stewardship on a case by case basis taking into account the best approach.

1.9.2 Shareholder Rights Directive II (SRD II)

SRD II amends the Shareholder Rights Directive to strengthen shareholder engagement and increase transparency.

SRD II came into force on 09 June 2017 and most of its provisions had to be implemented into national law by 10 June 2019. The SRD II provisions on identification of shareholders and communication with shareholders through intermediaries came into effect by 3 September 2020.

2. Policy

2.1 Purpose and Governance

2.1.1 Purpose

GIB AM integrates the principles of responsible investing across all its asset classes where possible.

As such, our vision is to drive the allocation of capital by offering our clients a set of products that deliver financial performance through sustainable investments.

We emphasise the importance of sustainability as part of our culture in order to generate deeper investment insights and drive better outcomes.

We believe success in this field will scale and mobilise capital, ultimately driving better outcomes.

2.1.1 Governance

Target setting and execution of stewardship activities are devolved to each investment team, which have autonomy over their own investment strategy.

Each team is responsible for documenting this and agreeing on it with either the Head of Equities or Head of Fixed Income, as appropriate.

GIB AM has developed a Responsible Investment Policy and Stewardship Engagement and Proxy Voting Policy that guide our investment process.

GIB AM has established the IRPC to oversee asset management investments and execution to ensure that client mandates and funds are managed in line with the expectation of regulators and clients. The IRPC oversees this Policy.

When it comes to stewardship activities, and to ensure that the information is shared with relevant employees, the following is practised:

1. Engagement and Stewardship activities are performed by members of the Investment teams with support from other teams where appropriate.
2. The investment teams have regular cross team meetings where stewardship activities are discussed and shared where appropriate.
3. The investment teams share material stewardship meetings and any outcomes with each other and if relevant, other employees within GIB AM.

2.1.2 Resources

GIB AM ensures that relevant personnel have sufficient skills and experience to carry out their roles and responsibilities.

In addition to this, GIB AM encourages employees wishing to undertake qualifications that are related to stewardship. Moreover, GIB AM use the services of an independent third party provider to assist in proxy voting activities. Such providers provide a number of services including company research and analysis and proxy voting recommendations. These services are used as a source to inform our proxy voting decisions and other stewardship activities.

GIB AM may choose to use the services of other stewardship activities providers to assist with our engagement activities.

In the case where GIB AM employs a service provider for its engagement activities, GIB AM will actively monitor the service provider to ensure that the services provided enable effective stewardship and to ensure that the service provided is of high quality and that the information provided is consistent with GIB AM's proprietary research and approach.

2.1.3 Workforce incentives

GIB AM has at its core the best interest of clients and embeds stewardship practices as a tool to protect and grow its clients' investments in a sustainable manner.

2.1.4 Conflicts of interest

GIB AM strives to identify, mitigate and manage conflicts of interest that may occur, in particular those arising from our engagement and proxy voting activities.

Our Conflict of Interest Policy ensures we are able to meet our duties as a fiduciary and act in the best interests of our clients.

GIB AM minimises and mitigates potential conflicts through appropriate employee training, policies and procedures and requires all employees to disclose any outside business interest and any personal or business-related potential conflicts of interest.

When a potential conflict of interest is identified, the employee(s) affected may be excluded from engaging and/ voting on the issue in question. Where necessary, advice is sought from Compliance.

GIB AM's Compliance department logs potential conflicts of interest, together with agreed mitigating measures and governance arrangements and these are reviewed by the BRC on at least an annual basis.

The BRC assists the Chief Risk & Compliance Officer in ensuring that all risks across the business are captured, understood and managed to the firm's risk appetite and promote an effective risk culture throughout the firm. It oversees the implementation of the Risk Management Framework in line with best practices in the industry whilst ensuring that it is aligned with GIB AM's business strategy.

2.1.5 Promoting well-functioning markets

GIB AM considers itself as a "market steward", which the FCA has defined as an asset manager that makes informed investment decisions and exercises proactive oversight once invested. In this respect, GIB AM works with different market participants towards positive stewardship outcomes.

As such, GIB AM may engage alongside other asset managers and organisations in the form of collaborative engagement. Please refer to section 2.3.4. Collaboration for more information.

2.2 Investment Approaches

We aim to discuss our stewardship activities with our clients and explain to them the reasons behind conducting such activities. Please refer to section 2.4. Exercising Rights & Responsibilities.

At GIB AM, we provide a range of solutions that reflect a shared set of values across complementary products.

Our Sustainable World approach is multi thematic; we believe the greatest profits belong to companies who can solve our greatest challenges. Those great challenges include issues such as Climate, Health, and Waste, and form the basis of our themes. We believe that healthy, safe and clean products should outsell unhealthy, dangerous and polluting products over the coming decades.

Our Sustainable World Fund brings this approach to Global Equities. Focusing on identifying the world's most pressing social and environmental challenges, we seek out companies whose products and services provide long-term solutions, as we believe this can drive positive performance from their positive impact.

Our Sustainable World Corporate Bond Fund brings this approach to Fixed Income. Investing in what we believe are the most resilient and sustainable businesses, critical for delivering compelling returns and supporting the transition to a sustainable world.

Our Emerging Markets Active Engagement Fund aims to maximise risk-adjusted returns by investing in fundamentally attractive companies and engaging on operational and sustainability related topics. Its two-pillar process first identifies undervalued business through bottom-up analysis while the second pillar involves partnering with portfolio companies to improve ESG and free cash flow power to drive a valuation re-rating for alpha generation.

Our European Focus Fund also employs a two-pronged approach. Principally, it identifies a small cohort of enduring businesses defined by strong corporate cultures and attractive business models, resulting in sustainably excellent economics. It also seeks to uncover nearer-term mispricing opportunities where the market has overlooked fundamentally improving businesses.

2.3 Engagement

2.3.1 Prioritisation

We aim to identify key priorities and use these to inform our stewardship activities.

- Depending on the portfolio, we may prioritise our engagement activities based on:
- The size of our exposure to the company (simply calculated as the amount or percentage of investment in that company)
- The urgency of the matter and its potential consequences
- The level of transparency of the counterparty
- A specific ESG issue
- The relevance of the situation and our ability to be heard / have a positive impact, in a specific context.

2.3.2 Objectives

GIB AM believes that good stewardship practices act in the best interest of our clients.

If applicable, we conduct stewardship activities to gain additional understanding of material topics applicable to investee companies' strategies, financial and non-financial performance and, when relevant and possible, to drive change which we believe will enhance shareholder value and our investee companies' ESG credentials.

We seek to engage in ways that are consistent with the transition to Net Zero in line with the Paris Agreement across our strategies, both individually with investees and collectively when undertaking collaborative engagements.

2.3.3 Approaches

GIB AM believes that engagement can drive positive change on sustainability issues, and generate potential alpha in portfolio returns.

GIB AM aims to actively conduct its stewardship activities on behalf of all funds and discretionary mandates it manages, unless requested not to by a client.

GIB AM may use a number of methods to engage with the companies that we invest in. These include methods such as direct meetings with company representatives, phone calls, written communication and proxy voting.

Below are the methods typically used in our engagement activities per asset class.

Equities

Our GIB AM Sustainable World Fund's investment philosophy includes a focus on enhancing value.

The investment team seeks to accomplish this by building strong relationships and engaging with investee companies to drive change.

The investment team may engage with portfolio companies through one-to-one meetings, group meetings, letters and emails, as well as site visits. Engagement with investee companies focuses on financial materiality and the sustainability factors that we believe can drive returns. Where appropriate, the investment team develop measurable goals to monitor success.

Proxy voting is a key part of engagement. Where agreed with the client, the investment team aims to vote at all company meetings, as per GIB AM voting policy.

Our GIB AM Emerging Markets Active Engagement Fund aims to maximize risk-adjusted returns by investing in fundamentally attractive companies and engaging on operational and sustainability related topics to drive a valuation re-rating.

Their approach to engagement focuses on two categories to catalyse improvements in their portfolio companies – compounding power and cost of capital. Their aim is that both categories will help drive a sustainably improving and underappreciated Economic Value Added profile through the combination of higher incremental returns and lower implied costs of capital.

Their Sustainability Framework used for engagement is typically a 12-18 months' process and involves the following 3 steps:

1. **Materiality Matrix:** uses a deep stakeholder analysis and survey in order to identify what the most relevant and material ESG risk factors are;
2. **Sustainability Strategy:** establishing an ambitious long-term sustainability plan with a focus on 4-5 areas identified in the Materiality Matrix analysis;
3. **Management Alignment:** incorporating ESG/sustainability KPIs into executive compensation.

Our GIB AM European Focus Fund engages with companies on a strategic basis where they see value in doing so and believe it will deepen their understanding of a business or challenge their analysis of a company.

The most common form of engagement is proxy voting, where the team has on occasion voted against company policy on certain key issues. Examples include compensation/pay, over-boarded directors, lack of perceived independence of board members etc.

Other areas that might elicit engagement include:

- MSCI ESG ratings downgrades
- Disclosure & transparency
- Accounting quality
- Structure/composition of the board of directors
- Business complexity
- Management succession
- Environmental concerns
- Capital allocation

It is important to note that the vast majority of the fund's engagement activities occur on an ad-hoc basis; it does not set out to purchase businesses and then seek change through direct engagement. Instead, issues tend to surface at a point in ownership and the managers seek clarity, understanding and, in certain cases, an opportunity to propose change.

Fixed Income

GIB AM believes that engagement should not be confined to those stakeholders who have voting rights. Companies need to diversify their sources of financing and therefore bondholders may also be able to influence issuer (corporate or government) decisions. It requires different forms of engagement, however, some of which will be more appropriate depending on the type of issuer.

Our Sustainable World Corporate Bond Fund looks to engage with issuers where material upon 3 broad topics: Strategy, Operations, & Disclosure.

Each broad topic is further broken down into sub-topics that we look to engage with issuers upon.

Engagement is broken into two different types: proactive engagements and reactive engagements.

Reactive Engagements are used to assess the credibility of response plans if an ESG controversy occurs at an investee company.

Proactive engagements are used to:

- engage systematically with companies who do not have SBTi aligned or ambitious net zero targets
- engage with an issuer if material risks are uncovered through the bottom-up fundamental research process within the engagement buckets

Reactive Engagements are used to assess the credibility of response plans if an ESG controversy occurs at an investee company.

2.3.4 Collaboration

In addition to direct engagement, we may engage in collaboration with other asset managers and policy makers in compliance with all relevant law and regulation to improve the outcome of our actions, drive standards and enhance effectiveness in implementing principles.

Our approach is to participate in collaborative engagement initiatives when the initiated actions are aligned with our focus areas and are in line with the objectives of our products / mandates. We may use various methods for engaging in collaboration, including but not limited to signing letters and providing technical input via government or regulator backed working groups.

As such, in practice, we carefully assess collaboration opportunities and study suggestions to become a member of organisations that can facilitate our collaborative engagement activities.

2.3.5 Escalation

In the case where a material engagement (or proxy voting) with a company does not achieve the desired outcome within our desired timeline, we may take the below actions where relevant and appropriate (in no particular order):

- Hold additional meetings with management
- Meet with chairman or any other board members
- Submit resolutions and speak at General Meetings
- Propose changes to board membership
- Reduce exposure or exit investment

2.3.6 Stewardship in procurement and vendor selection processes

Suppliers are requested to comply with the GIB AM Outsourcing and Third-Party Supply Code of Conduct.

We use a number of methods to understand supply chain practices and form our own view of Suppliers' alignment with the policy, both as part of selection and on a regular basis thereafter. This includes:

1. The use of the GIB AM in-house questionnaire;
2. Conducting an in-house assessment of the supplier; or
3. Using third party ESG scores (e.g. MSCI scores)

2.4 Exercising rights and responsibilities

GIB AM acknowledges that our duty as a responsible investor stipulates that we actively exercise our voting rights where possible, keeping the best interests of our clients in mind. When exercising voting rights, we aim to ensure GIB AM are upholding the principles of responsible investing (please refer to our Responsible Investment Policy).

2.4.1 Proxy Voting

Proxy voting provides us with an opportunity to exercise our rights as owners of companies and as such, GIB AM's actively-managed equity funds endeavour to vote on every resolution that we have the opportunity to.

For GIB AM, proxy voting serves two purposes: firstly, to allow us to formally express our view on certain aspects of a company, such as remuneration or the effectiveness of the current board of directors; and secondly, to serve as an opportunity to engage with our companies on current resolutions and future issues.

Each Investment team establishes its own engagement priorities and strategy and uses a range of third party providers to inform our analysis.

Each investment team maintains a voting record, which includes a rationale of votes cast, which is communicated to the other investment teams.

Proxy voting reports are published on the GIB AM website.

GIB AM may employ an independent proxy voting provider, as noted in section 2.1.2 Resources. Such services provided to GIB AM include, but are not limited to, company research, voting recommendations, and vote execution.

The proxy voting provider exercises voting rights in accordance with GIB's proxy voting policy, which is developed by reference to best practice and independent proxy voting provider voting guidelines.

The investment teams review the GIB AM proxy voting policy annually in the context of our proprietary research and other public sources to ensure that it is in-line with our investment beliefs and the GIB AM Responsible Investment Policy.

We aim to vote in favour of resolutions that we believe will advance progress on our stewardship priorities, including affirming a company's good practice or prior commitment.

A member of the investment team (if relevant) reviews and analyses the voting recommendations provided by the third party provider and votes accordingly (where relevant) to align with the best interest of our clients.

We are not obliged to follow the GIB AM proxy voting policy and the investment teams retain discretion to vote on a case-by-case basis, and formal approval procedures to vote against the policy are devolved to each investment team. In the case where our proxy vote is unsuccessful (i.e. the outcome is not in line with our vote), we may escalate the matter using one of the actions listed in section 2.3.5. Escalation.

2.4.2 Stewardship reporting

GIB AM aims to publish an annual report where the process and outcomes of implementing this policy are described. The report will include our engagement activities and their stage and outcome (where relevant).

2.5 SRD II Disclosure

GIB AM will consider the following where applicable:

1. How shareholder engagement is integrated into its strategies. Please see section 2.3.3. Approaches for more.
2. Monitoring of investee companies, which may include their structure, financial performance, capital structure and social and environmental impact and corporate governance. Please see section 2.2.2. Solutions for more.

3. Conducting dialogue with investee companies. Please see section 2.3.3.Approaches for more.
4. Exercising voting rights and responsibilities. Please see section 2.4. 4. Exercising rights and responsibilities for more.
5. Cooperating with other shareholders. Please see section 2.3.4. Collaboration for more.
6. Communicating with relevant stakeholders of the investee companies where appropriate. Please see section 2.3.3.Approaches for more.
7. Managing actual and potential conflicts of interests in relation to the firm's engagement. Please see section 2.1.4. Conflicts of Interest for more.

3. Appendix - UK Stewardship Code 2020

The Stewardship Code sets high stewardship standards for asset owners and asset managers, and for service providers that support them.

The Stewardship Code does not prescribe a single approach to effective stewardship. Instead, it outlines a set of 'apply and explain' Principles. This allows firms to meet the expectations in a manner that is aligned with their own business model and strategy. The Stewardship Code is aimed mainly at equity holdings in UK-listed companies.

While GIB UK supports the objectives of the Stewardship Code, it has not become a signatory of the code as the firm determines its approach to stewardship on a case by case basis taking into account the best approach.

The Stewardship Code principles are explained below:

Purpose and governance:

- Principle 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society
- Principle 2: Signatories' governance, resources and incentives support stewardship
- Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first
- Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system
- Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities

Investment approach:

- Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them
- Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities
- Principle 8: Signatories monitor and hold to account managers and/or service providers

Engagement:

- Principle 9: Signatories engage with issuers to maintain or enhance the value of assets
- Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers
- Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers

Exercising rights and responsibilities:

Principle 12: Signatories actively exercise their rights and responsibilities

