



ASSET  
MANAGEMENT

# Stewardship Policy 2022

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## 1. Introduction

For this policy, GIB Asset Management is referred to herein as “GIB AM” or “we”. GIB AM is a trading name of Gulf International Bank (UK) Limited. GIB AM acknowledges that effective stewardship is an important part of our responsibilities as a responsible investor towards our clients. Our definition of stewardship is aligned with the UK Stewardship Code 2020: ‘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’.

GIB AM believes that good stewardship practices act in the best interest of our clients. Through stewardship activities, we gain additional understanding of material topics and, when relevant and possible, drive change that will enhance shareholder value and the value of our assets over time. GIB AM stewardship activities are always constructive in nature.

GIB AM stewardship activities include engagement, both direct and collaborative, and proxy voting, each where relevant and impactful. This policy outlines GIB AM’s stewardship approach both with respect to engagement and proxy voting. This policy has been developed in accordance with the Shareholder Rights Directive II (SRD II) and the UK Stewardship Code 2020.

The GIB AM Stewardship Policy therefore follows closely the principles set out in the UK Stewardship Code 2020.

### ▪ Policy scope

GIB AM proactively engages with companies in which we invest across all asset classes and geographies. The only exception is mandates for which clients have specifically instructed us not to engage in stewardship.

Nonetheless, for any such mandates, we commit to engaging proactively with those clients to explain the benefits from stewardship.

## 2. Purpose and governance

### ▪ Purpose, strategy and culture

GIB AM is a responsible investor which integrates the principles of responsible investing across all its asset classes. As such we incorporate Environmental, Social and Governance (ESG) factors into our investment processes and decision making. We emphasise the importance of sustainability as part of our culture.

We strongly believe that considering both financial and non-financial factors (i.e. ESG factors) is paramount to assessing an investment opportunity to act in the best interest of our clients. Similarly, we fundamentally believe that being a good steward, and engaging with different stakeholders on various non-financial factors including ESG factors, is crucial for both asset managers and asset owners to succeed.

Further to the business benefits of responsible investment and stewardship, we believe that ESG investing and stewardship contribute to the betterment and development of the world we live in.

In this respect, GIB AM has developed a Responsible Investment Policy and a Stewardship Policy that guide our investment processes.

For further detail on responsible investment, please refer to our Responsible Investment Policy.

### ▪ Governance structure and oversight

In GIB AM, Stewardship is considered a multi-department matter. Stewardship responsibilities are borne by a number of GIB AM employees including members of the Sustainability and Engagement team and Portfolio Managers. Further, Stewardship matters such as engagement themes are consulted on across different departments including Sustainability and Engagement, Strategy, Product Development, Asset Management, and with those who engage with third party suppliers.

Being a multi-department matter has reinforced the importance of stewardship within GIB AM. GIB AM values transparency across its operations. 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 different employees including the Sustainability and Engagement Manager and Portfolio Managers (and other members of the Investment Teams where relevant)
2. GIB AM Asset Management and the Sustainability and Engagement team have regular cross team meetings where stewardship activities are discussed and shared
3. GIB AM Asset Management and Sustainability and Engagement team share material stewardship meetings and any outcomes via email with each other and if relevant, other employees within GIB AM

4. Portfolio Managers are consulted before proxy voting decisions are implemented (where relevant)
5. On the rare cases of proxy voting for Fixed Income instruments, Portfolio Managers will review the terms of the vote and will either implement it or direct the Sustainability & Engagement team on how to vote
6. Portfolio Managers and other members of the Asset Management teams are involved in defining engagement themes
7. Portfolio Managers and the Sustainability and Engagement Manager are encouraged to join stewardship activities and workshops to improve their knowledge and their decision-making outcomes

The ultimate accountability for stewardship falls under the Chief Executive Officer (CEO) responsibilities, with oversight being provided by the Board of Directors.

▪ **Stewardship activities resources**

GIB AM ensures that employees that are directly involved in stewardship activities (e.g. the Sustainability and Engagement Manager and Portfolio Managers) are provided with sufficient relevant training. In addition to this, GIB AM encourages and sponsors employees wishing to undertake qualifications that are related to stewardship.

Moreover, GIB AM may 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.

▪ **Workforce incentives**

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

The Sustainability & Engagement and Asset Management teams set clear targets and track the progress of their engagement efforts as well as the quality and impact of their voting on an ongoing basis.

GIB AM employees involved in stewardship activities are encouraged to set relevant departmental key performance indicators (KPIs). Consistent with that, KPIs may be set at a company level in the company balanced scorecard.

▪ **Conflicts of interest**

We are aware of potential conflicts of interest that can arise internally within GIB AM and with clients. We strive to identify and manage conflicts of interest which may occur in particular those arising from our engagement and voting activities. Our Policy for the Management of Conflicts of Interest keeps the best interests of our clients in mind. GIB AM requires all employees that take part in proxy voting and engagement activities to disclose any personal or business related conflict of interest to the Business Risk Committee (BRC).

These employees will be excluded from engaging and / or voting (and from decision making) on these issues. In the case of proxy voting, and where GIB AM has an electronic system that allows for unguided votes based on predefined criteria, GIB AM will let the system cast the vote without human interference. Additionally, the BRC will ensure that any further conflict of interest incident is dealt with in the appropriate manner.

▪ **Promoting well-functioning markets**

GIB AM considers itself as a market steward. In this respect, GIB AM works with different players in the market towards positive stewardship outcomes.

As such, GIB AM engages with different asset managers and organisations in the form of collaborative engagement. Please refer to section 4.2 for more information.

GIB AM also engages with policy makers and regulators in the markets in which we operate in an effort to support the development of policies and regulations that support the transition to and the development of sustainable financial markets, where relevant.

▪ **Review and assurance**

This Stewardship Policy and the implementation of it is reviewed annually by the CEO. 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.

The policy is subject to compliance monitoring. Internal Audit may also review and assure that the implementation of this policy is effective, as deemed necessary.

### 3. Investment approach

#### 3.1 Client and beneficiary needs

The majority of GIB AM's clients are institutional investors with long term investment horizons.

We discuss our stewardship activities with our clients and explain to them the reasons behind conducting such activities. The outcome of such activities are communicated to clients on an annual basis. Please refer to section 6.

#### 3.2 Stewardship, investment and ESG integration

##### ▪ Fixed Income

Our primary focus is to identify investment risks and opportunities, whilst promoting responsible behaviours amongst debt-related products. ESG considerations are integrated at both a portfolio and security level within our investment process.

- At a portfolio level, as part of our top-down analysis, we look to identify ESG associated risks as well as emerging megatrends (such as new clean technologies, developments in energy or healthcare). These help drive our screening and influence our allocations (sector / geography / security). At this level, our engagement activity mostly targets other industry participants such as investment banks or rating agencies, aiming at improving established behaviours.
- At a security level, as part of our bottom-up analysis, ESG factors are a component of our wider credit analysis. This process combines a quantitative and qualitative assessment, using information gathered from company public filings, third-party data providers and through direct discussion with issuers. At this level, engagement is focused on corporations and can range from broad topics like corporate disclosure to very specific points on carbon emissions, for example.

##### ▪ Equities

Our approach utilises an extensive range of ESG raw data and analysis from third party providers. The raw data and company information is provided real-time by large, industry leading ESG data providers. We evaluate and integrate these to create our proprietary scoring methodology, which we use to generate company scores at both a thematic and overall level.

The scoring methodology focuses on a company's ESG credentials, whilst emphasising those data points that are financially material. This proprietary scoring methodology is then used to analyse our entire investment universe for risks and opportunities.

*For more details on our stewardship approach and integration, please refer to section 4.1*

##### ▪ Monitoring managers and service providers

We actively monitor issues<sup>1</sup> that have the potential to impact the value of assets held over our clients' investment horizon using multiple methods including in-house research.<sup>2</sup> To facilitate monitoring our engagement activities, we use spreadsheets and / or databases.

As part of this (and among others) we monitor the issues discussed, engagement method, the engagement stage and outcome.

GIB AM may employ an independent proxy voting provider to support its voting activities. GIB AM monitors such a proxy voting provider in a number of ways:

- The Sustainability and Engagement team reviews the voting research and recommendations to ensure that the service provided is of high quality and that the information provided is consistent with GIB AM's research and approach
- The Sustainability and Engagement team reviews a sample of the executed votes to ensure that the votes have been executed in accordance with our selected policies
- GIB AM reviews the proxy voting provider annually to ensure that the service provided is on a par with what other service providers in the market are providing

<sup>1</sup>Issues include (but not limited to) company strategy and performance, capital structure, reporting and audit quality, adherence to the UK Corporate Governance Code and / or other governance codes, leadership effectiveness, material ESG issues, debt to equity ratio, cash flows, compliance with covenants and contracts

<sup>2</sup>For our Global Equities product, the research is reflected in our scoring

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.

## 4. Engagement

### ▪ Prioritisation

We identify key priorities and use these to inform our stewardship activities. Depending on the portfolio, we 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 theme we want to promote
- The relevance of the situation and our ability to be heard / have a positive impact, in a specific context

### ▪ Objectives

GIB AM believes that good stewardship practices act in the best interest of our clients. We conduct stewardship activities to gain additional understanding of material topics and, when relevant and possible, to drive change which will enhance shareholder value and our investee companies' ESG or any other relevant topic considerations. This includes (but not limited to) strategy, financial and nonfinancial performance at risk and capital

### 4.1 Methods

GIB AM actively conducts its stewardship activities with companies in which we invest within all funds and discretionary mandates where permitted by clients.

The only exception is mandates for which clients have specifically instructed us not to engage in stewardship. Nonetheless, for any such mandates, we commit to engaging proactively with those clients to explain the benefits from stewardship. Below are the methods typically used in our engagement activities per asset class:

	Active equities <sup>3</sup> (including rules-based)	Passive equities	Fixed Income (Corporate and Sovereign)	Fixed Income (Structured Products <sup>4</sup> )
Direct meetings with company representatives <sup>5</sup> (where possible)	✓		✓	✓
Phone calls	✓		✓	✓
Written communication	✓		✓	✓
Proxy voting	✓		✓	✓
Questionnaires				

<sup>3</sup> We seek to engage with companies prior to casting a vote against

<sup>4</sup>For securitised products, we would engage with trustees and collateral managers / originators

<sup>5</sup>This includes management team, Board of Directors and company advisers

#### ▪ **Active equities (including rules-based)**

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

The reason for choosing these methods is efficiency. We also take part in collaborative engagement. For more details, please refer to section 4.2.

#### ▪ **Passive equities**

Engagement activities are not relevant for our existing passive equities portfolios. That is because our passive portfolios are discretionary mandates in which the clients have directed that no engagement be undertaken by GIB AM. All engagement and proxy voting services are direct relationships between the client and the custodian.

#### ▪ **Fixed Income**

Bondholders have no ownership of companies, which means that they do not participate in General Meetings and cannot use voting power. There are rarer occasions of voting in Fixed Income typically related to solicitation of consent to changes in the terms related to the debt (restructuring, tender etc.)

However, 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.

We believe that engagement is a natural extension of the fundamental research undertaken by the investment team. Engagement occurs both pre investment and whilst invested. We consider engaging during investor roadshows, at debt issuance, specific meetings and via calls with management. We have multiple touchpoints including C-suite management, investor relations and origination desks. It is noted that credit rating agencies are increasingly focused on ESG considerations as part of their ratings processes.

We engage in reaction to ESG issues that have already affected an issuer as well proactively in anticipation of specific ESG risks. From a risk perspective, if we are not satisfied with a company's management of a material ESG related risks, we are prepared to divest of such holding.

## **4.2 Collaboration**

In addition to direct engagement, we engage in collaboration with other asset managers 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 key pillars and are in line with the objectives of our products / mandates.

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.

## **4.3 Escalation**

In the case where a material engagement (or proxy voting) with a company fails, we may take the below actions where relevant and appropriate (in no particular order):

- Hold additional meetings with management
- Raise key issues through company's advisers
- Meet with chairman or any other board members
- Jointly intervene with other institutions
- Make public statements in advance of General Meetings
- Submit resolutions and speak at General Meetings
- Requisition a General Meeting
- Propose changes to board membership
- Reduce exposure or exit investment

## **4.4 Stewardship in procurement and vendor selection processes**

As part of our outsourcing and third party supply procurement process, GIB AM requires prospective third parties to fill in a questionnaire that examines their practices in a number of topics including:

1. Equality, diversity and human capital development
2. Climate, environmental action and water

3. Innovation and infrastructure
4. Health and wellbeing
5. Governance and accountability
6. Data protection and confidentiality
7. Exclusions

The questionnaire is a direct reflection of the Outsourcing and Third Party Supply Code of Conduct. GIB AM expects its outsourcing and third parties to make their suppliers aware of such requirements.

Further to this, and when relevant, a section in the questionnaires to enquire about third parties view / approach to stewardship and their processes and resources used to deliver stewardship activities can be added.

## 5. 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 our voting rights, we aim to ensure companies are upholding the principles of responsible investing (please refer to our Responsible Investment Policy).

### ▪ Proxy voting policy

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

The proxy voting provider voting recommendations are based on the independent proxy voting provider voting guidelines. A member of GIB AM's Sustainability and Engagement team will review the provider's proxy voting guidelines to ensure that they are in-line with our investment beliefs and Responsible Investment Policy.

In addition, voting recommendations and research are considered by GIB AM in the context of our proprietary research and other public sources. Further, we are not obliged to follow the recommendations set by the proxy voting research provider. A member of the Sustainability and Engagement Team and the Asset Management team (if relevant) reviews and analyses the voting recommendations provided by the third party provider and adjusts the votes accordingly (where relevant) to align with the best interest of our clients.

In line with our Policy for the Management of Conflicts of Interest, we consider both our clients' best interests and investment objectives when casting our votes.

This could lead to voting on a matter the same way, or differently for different clients. In the case where we do not believe that it is in the client's best interest to vote on a matter the way the client has instructed us to vote, we will notify the client of our intention to abstain or vote against this specific recommendation. We will provide our clients with the rationale for voting against their recommendations.

In the case where we feel that we do not have enough information to execute a particular vote, we will abstain from casting a vote. In the case where our proxy vote is unsuccessful, we will escalate the matter using one of the actions listed in section 4.3.

## 6. Stewardship disclosures

GIB AM aims to publish a sustainability 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) and our proxy votes and how they were executed.

The report will also give a rationale explaining our most significant votes. We define significant votes as instances where:

- There is a vote against the board / management
- A vote is withheld
- A vote is not in line with voting policy

The sustainability report is planned to be published on an annual basis.

Further to this, we will disclose to our institutional investor clients information about how our investment strategies contribute to the medium to long run performance of their assets and / or funds and how we have performed relative to our mandate.

## 7. Appendix

### 7.1 UK Stewardship code 2020

This policy has been written in accordance with the UK Stewardship Code 2020. The UK Stewardship Code 2020 has 12 principles for Asset Managers and Asset Owners. These 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