

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY

Atlanticomnium – Fixed Income Specialists

Effective Date: 15 June 2020

At Atlanticomnium, we are fully committed to integrating environmental, social, and governance (ESG) factors into our investment process and believe that taking ESG factors into account enhances our research process and helps generate long-term value for our investors. The consideration of ESG factors complements our bottom-up driven investment approach strategy of seeking the quality issuers that are expected to add value for stakeholders over the long-term and therefore positively reinforces our buy and hold investment philosophy.

Background

Atlanticomnium has been delegated investment advisor for GAM funds since 1985. In this role, we have a fiduciary duty to act in the best long-term interests of our clients and their beneficiaries by seeking to protect and enhance their economic interests when making investment decisions. It is within this context that we undertake our responsible investment activities. In accordance with the United Nations supported Principles for Responsible Investment (PRI), we consider responsible investment as “a strategy and practice to incorporate ESG factors in investment decisions.” As a fundamental part of our journey to making ESG an integral part of our investment process and providing transparency about our efforts, we formalised our commitment to ESG by becoming a signatory to the PRI in May 2020.

Scope and Purpose of Policy

This ESG Policy aims to provide transparency around our ESG beliefs, outline our commitment to integrate material ESG issues into our investment process, and acts as a formal guideline for our team. The Policy is applicable to 100% of our assets under management (AUM) and the outlined principles shall be applied to investments across all regions and markets.

ESG Beliefs and Investment Criteria

We believe that we strengthen our investment decision making process by integrating stewardship activities and ESG analysis into our credit analysis framework. We believe that the inclusion of material ESG information is beneficial to our investment process and the performance of our investments for numerous reasons. Firstly, it improves our ability to mitigate risks through the exposure of potential threats of litigation and regulatory intervention related to ESG issues. Further, it provides insight into a company’s long-term approach to business strategy and its management quality. It also deepens our understanding of how a company is positioned compared to its peers. On a broader level, ESG amplifies our strength to recognise the wider contextual factors that a potential issuer is influenced by, such as the stability and health of economic and environmental systems, or evolving values and expectations of the societies that the company operates in.

ESG refers to a vast universe of issues that may be considered in the investment process. Below are some examples of ESG issues under each category:

E – Environmental	S - Social	G - Governance
<ul style="list-style-type: none"> ○ Greenhouse gas (GHG) emissions ○ Energy management ○ Waste management ○ Water and wastewater management 	<ul style="list-style-type: none"> ○ Customer privacy ○ Data security ○ Employee engagement, diversity, and inclusion ○ Workplace health and safety ○ Access to, and affordability of products and services 	<ul style="list-style-type: none"> ○ Board independence and diversity ○ Risk management ○ Legal, regulatory, and judicial environment ○ Issuer’s incorporation of ESG in investment policies and underwriting

Acknowledging the concept of materiality, we understand that the importance of an ESG factor and its impact on an issuer's future prospects, financial condition and operating performance varies depending on the industry, geography, and individual issuer characteristics. In relation to our client case, we place a particular focus on governance related issues.

ESG in the Investment Process

As long-term buy and hold investors, our investment team conducts in-depth fundamental analysis of issuers, spanning both financial and extra-financial aspects. Although several aspects of ESG have long been part of our analysis framework, we undertook a project in 2019 aimed at formalising the integration of ESG factors in our investment process, leveraging the experience and expertise of both GAM Investments' in-house Governance and Responsible Investment (GRI) team and external consultants KKS Advisors. The result is a fully integrated approach, where ESG factors are incorporated in the team's credit research process in a manner that is consistent with our long-established bottom-up research philosophy. The production of internal research includes fully integrated ESG factors, ESG engagement and the monitoring of ESG developments for portfolio companies.

Overview of ESG in the Investment Process



Negative Screening

A priori, an issuer's credit potential is excluded from further consideration if the issuer operates on unethical business practices that fundamentally misaligns with the principles of responsible investing. Continuing our long-held practice, we refrain from investing with core businesses in the following industries: tobacco, alcohol, weapons, and gambling.

ESG Integration - Overview of integrated ESG credit analysis framework

ESG is now one of the key building blocks of our credit analysis framework and complements analysts' recommendations and subsequent investment decisions. Our ESG analysis focuses on the potential impact of these factors on issuers' credit profiles. To achieve this, we are working with external ESG data provider MSCI, one of the leaders in this space, to help identify key ESG trends and topical issues that are material to the issuers. As a result, our research notes incorporate an ESG section, which includes e.g., the issuers' ESG rating, rating trends, key ESG focus areas, controversies, underlying rating drivers and implications for the credit profile. For issuers with poor ESG ratings, rating downgrades, controversies and other risks, there is an extra layer of analysis to assess the implications for the credit profile. In line with our wider fundamental research process, the analysis goes well beyond the ESG rating and trends to focus on the underlying drivers of the rating – thereby harnessing the investment team's proven ability to add value through research. As well as including ESG into our formal research notes, we are closely monitoring any new ESG ratings changes and controversies. Ultimately, the ESG analysis is an integral part of our assessment of opportunities and risks in our research and investment decision-making process.

Ongoing Engagement and Monitoring

A rounded approach to ESG integration continues post-investment. For this reason, engagement with issuers is also a key priority of our ESG agenda. Interaction with the senior management of our issuers has long been a central part of our investment process and has resulted in deep access and strong relationships. Extending this engagement to cover ESG topics is a natural development.

Responsibility for Implementation

It lies within the responsibility of our Investment Committee overseen by the Board of Directors to comply with the principles outlined in this policy and to ensure that the described ESG integration approach is incorporated into the investment process. On the other hand, responsibility for bottom-up ESG integration in the research process is the responsibility of the Credit Analysts. By providing formal ESG training to our investment team, we ensure that these responsibilities are met.

Other Relevant Policies

We have a number of policies in place that are complementary to our ESG integration approach, including the following:

- Atlanticomnium's Market conduct policy (including conflicts of interest)
- Atlanticomnium's Anti-Money Laundering Policy

Governance and Transparency

This ESG Policy has been developed in collaboration with KKS Advisors, an external ESG advisory firm and has been approved by our Board of Directors. Atlanticomnium's Head of Research is responsible for reviewing the content of the policy on a regular basis.

As part of our ESG journey, we became a signatory to the United Nations (UN) Principles for Responsible Investment (PRI) in May 2020. The resulting reporting obligations will provide transparency and accountability of our ESG approach, by detailing our ESG efforts in the form of a Transparency Report submitted to the PRI on an annual basis. In addition, our aim is to provide periodic reporting to investors. Third party (MSCI) ESG ratings are disclosed and distributed for our range of GAM Star Credit Opportunities funds.