

Engagement Practices Q&A

THIS DOCUMENT ADDRESSES KEY QUESTIONS DIRECTED AT ASSET MANAGERS CONCERNING ENGAGEMENT PRACTICES AND COMMITMENT TO PROACTIVE STEWARDSHIP.

How many people work in engagement, as a percentage (FTE) of your total workforce?

Given the size of our firm, (we operate with a lean team structure), all members are actively engaged in our sustainability efforts. Currently our team of four staff members is involved in engagement activities. Therefore, all the firm is involved in engagement efforts, ensuring that sustainability is integrated into all aspects of our operations and decision-making processes. This streamlined approach allows us to maximise the impact of our efforts and effectively manage resources while maintaining a strong focus on sustainability.

To further amplify our impact, we actively collaborate with organisations such as Minerva Analytics, Share Action and the IIGCC. These collaborative groups serve as platforms for knowledge sharing, best practice exchange, and coordinated action. By leveraging the expertise and networks of these organisations, we enhance the effectiveness of our engagement strategies and, broaden our reach in driving positive change.

What percentage of revenue is spent on engagement?

Our commitment to engagement is reflected in the allocation of resources, which include staff, data sources, research, and membership costs, which collectively amount to approximately 17.5% – 20% of our annual revenue.

To what extent do you consider non-financial materialities in your stewardship?

(The impact of corporate activities on people and planet that may not directly affect the risk or return of the corporation.) How do you vote on this basis? How do you engage on this basis?

GSI strongly understands that the impact of corporate activities on people and the planet extends beyond financial metrics and can have far-reaching implications for long-term sustainability and value creation.

Considering non-financial materialities is essential to fulfil our fiduciary duty to clients, manage risks effectively, and contribute to long-term value creation. We do this by integrating environmental, social, and governance (ESG) factors into our investment processes, exercising our voting rights, engaging with companies through collaborative initiatives, working with stakeholders, and promoting transparency.

In our voting and engagement policies, we consider a broad range of ESG factors that may not directly affect the risk or return of the corporation in the short term but can significantly influence its long-term performance and resilience. These non-financial materialities include issues such as climate change, human rights, labour practices, diversity and inclusion, supply chain management, and community engagement.

Please refer to our [Voting Policy and Approved Guidelines](#).

Our 'Approved Guidelines' consider global best practices such as the ICGN Global Corporate Governance Principles and the G20/OECD Principles of Corporate Governance and consider internationally recognised sustainability-related initiatives such as the UN Guiding Principles on Business and Human Rights, the UN Global Compact and UN Sustainable Development Goals (SDGs).

Our engagement strategy is aligned with our voting policy. We collaborate with other stakeholders to drive systemic change. For example, we have worked with Share Actions Good Work Coalition on the Sainsburys' campaign and the Investor Decarbonisation Initiative (IDI). The IDI encourages chemical companies, like LyondellBasell and AirLiquide, to align their business strategies with the goals of the Paris Agreement and transition to a low-carbon economy.

We have recently joined as a signatory to the CA100+. We will be working with the PRI and other Lead Investors as a Contributing Company Investor on thematic engagements with A P Moller Maersk, a global transportation and supply chain logistics organisation.

What 'additionality' (demonstrable positive outcomes or improvement that would not have occurred without your specific investment and engagement) do you create as an asset manager?

We understand we have a duty to our clients who entrust us with their investments to be active stewards. By advocating for sustainable practices, improved governance, and positive environmental and social impacts, asset managers can drive additional positive change within companies and industries. There are several ways this is facilitated, including stewardship through engagement, policy lobbying, voting and escalation.

As systematic investors there are certain ways to add value through stewardship and exercise our rights and responsibilities as owners of capital. We are less focused on direct corporate engagement. We value the power of our voice in collaborative forums and use our expertise to cast voting decisions in our clients and society's best interests. Although we are a small manager, every vote counts and our vote can be critical.

Our view on voting was corroborated by a quote from Peter Taylor from the IIGCC at the Engage Conference in February this year 'Stewardship can be more than voting but it can't be less.'

An example of a demonstratable positive outcome is our involvement with a resolution with Sainsbury's.

During 2022 the Good Work Coalition filed a special shareholder resolution at Sainsbury's calling for the company to accredit as a Living Wage employer by July 2023, and to commit to pay all workers a Real Living Wage. The Living Wage resolution filed at Sainsbury's only received the support of 16.7% of investors at the company AGM however it was successful in that it raised the issue in the public arena. These specific resolutions sparked great debate amongst investors with strongly opposing views.

The resolution did have a positive result in real terms. It led to the supermarket announcing a pay uplift for London staff so that all directly employed staff currently earn the Living Wage meaning an estimated 19,000 workers received a pay rise. GSI was one of the institutional investors who publicly came out in support of the resolution. The associated press release is available on their [website](#).

How often do you visit factories and operational centres (if at all)? For what percentage of your holding companies do you carry out such visits?

We are a systematic investor. Unlike fundamental managers who may conduct company visits to gather qualitative insights and assess management teams first-hand, systematic managers prioritise objective and consistent methodologies over subjective assessments.

Our two funds currently have investments in over 1000 companies spread across global developed markets. The large number of holdings make it impractical to conduct individual company visits for each investment. Instead, we rely on robust research processes and quantitative analysis to evaluate and monitor our investments efficiently.

How frequently do members of your team physically attend investor AGMs in person (if this happens)? When was the last occasion?

We don't attend AGMs in person.

Our effectiveness as voters is not contingent on attending AGMs in person. Through our partnership with Minerva Analytics and other data-driven resources, we access comprehensive information and insights into companies' governance practices, executive compensation, and shareholder resolutions. This data enables us to conduct a thorough analysis and ensures our voting policy is based on objective criteria and best practices.

Attending AGMs in person can be logistically challenging and may not always provide significant additional insights beyond what is available through comprehensive data analysis.

We think that participation in collaborative engagement is a key element of an effective engagement approach and that membership of Climate Action 100+ is a minimum standard of good practice. Do you agree with our view?

We are members of Climate Action100+.

We do agree that collaborative engagement is a key element. Membership of an organisation that provides collaborative opportunities is good practice. We would suggest there are other options other than ClimateAction100+, like ShareAction, that also provide this service.

We are strong advocates for collective engagement collaborations for the following reasons:

Amplified Impact: Collaborative engagement enables investors to pool resources and expertise, significantly amplifying their collective influence on companies. Joining forces with like-minded investors can advocate for meaningful change on a scale that would be challenging to achieve individually.

Access to Resources and specialised insights: Initiatives like Climate Action 100+ provides access to expert insights and resources, including research, data sources, case studies, policy guidance and networks, enhancing the capacity to engage with companies effectively. This expertise covers areas of focus like banks and nature and biodiversity, in addition to the Climate and Net Zero Engagement Initiatives, which for us is of particular interest.

Shared Learning: Collaborative engagement facilitates the sharing of best practices and engagement strategies among participating investors. This exchange of knowledge enhances the effectiveness of engagement efforts, enabling investors to learn from each other's successes and failures. Improving our ability to navigate the evolving landscape of sustainable investing.

Demonstration of Commitment: Participation in Climate Action 100+ signals a commitment to environmental responsibility which align with client values and expectations. Active involvement is also a strong signal to industry stakeholders, including clients, regulators, the investment community, and society at large, that we prioritise environmental stewardship and are actively concerned about improving how to address climate-related issues.

We think that all asset managers can and should be signed up to the Net Zero Asset Managers commitment. Do you agree with this view?

NZAM Signatories commit to integrating climate-related considerations into their investment decision-making processes, including assessing climate-related risks and opportunities, incorporating climate-related metrics into portfolio construction, and actively engaging with companies to drive emissions reductions.

We agree with the spirit of these goals and are actively reviewing whether we should sign up to the NZAM. Our portfolios already have significantly reduced fossil fuel exposure and carbon intensity relative to the benchmark by more than 50% in each case. We aim to further align the portfolios with the objectives of the NZAM as availability of data permits, as long as in doing so we comply with the wider investment objectives of the portfolio in terms of their factor exposures, diversification, risk profiles, etc.

Whilst not yet a signatory, we do agree with the NZAM view of the importance of engagement and advocacy. We are active voters, support shareholder resolutions, and collaborate with other stakeholders to drive systemic change. We strive to drive change via initiatives like

Share Action’s Investor Decarbonisation Initiative (IDI). This is our third year of being a member of the IDI.

Do you transparently publish your entire voting record as soon as possible (Ideally as soon as the information is available, but as a minimum annually)? (Reference: [Vote reporting template consultation](#))

We publish our entire [voting record](#) on our website half yearly and publish our voting activity in our [Stewardship Code](#) annually. We will be producing Stewardship Activity reports half yearly, commencing with December 2023 data Q1 2024.

What percentage of independent environmental / social shareholder resolutions have you voted for in the latest one-year period for which you have holdings/investment exposure?

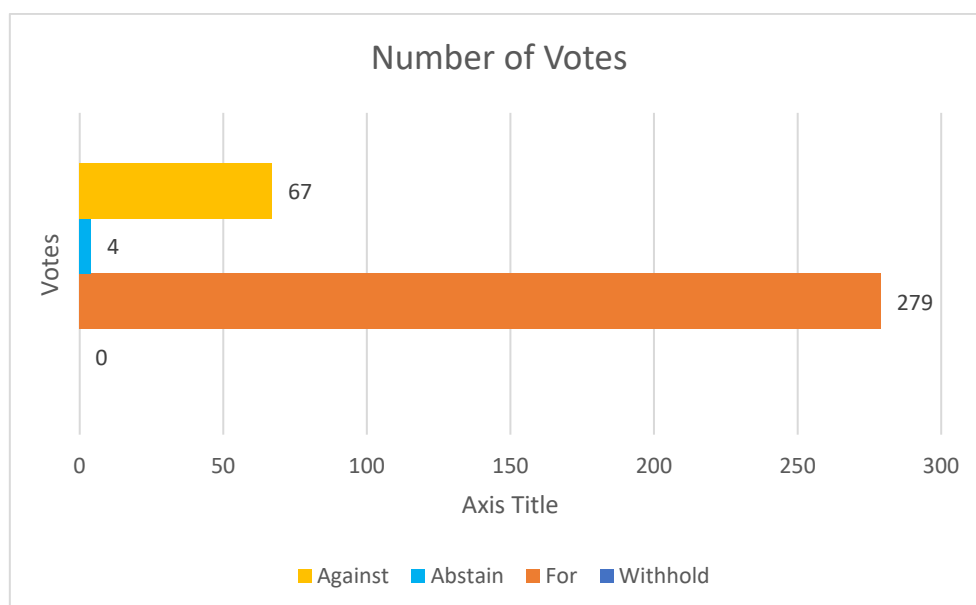
Given the large number of individual companies held by the two GSI funds (over 1000), voting on every company may not be feasible or cost effective for the clients. Therefore, we focus voting efforts on a subset of names, typically those with a higher weighting in the portfolio or those where they believe their engagement efforts can have the most significant impact for example companies with poor ESG ratings and companies on the focus list of CA100+.

Our Voting Target List consists of 200 names. In 2023 the list covered 68% of the value of Global Sustainable Value Fund (GSV) and 70% of Global Sustainable Focused Value Fund.

Within this list - We voted at 100% of all meetings (and 100% independent environmental / social shareholder resolutions).

Of all resolutions voted, 9.7% were shareholder resolutions and we voted in favour (FOR) 81%% of these resolutions.

SHAREHOLDER RESOLUTION VOTE ACTIVITY 2023



What percentage of management resolutions have you voted against in the latest one-year period for which you have data?

Across the 198 Company meetings we voted on 3623 resolutions in 2023.

Of these 3623 resolutions - we voted Against 24.6% (891- excluding withheld or abstain)

Of these resolutions – 3049 were management resolutions, (excluding Shareholder resolutions), and we voted against Management on 27% of these resolutions (823).

VOTING ACTIVITY 2023

Resolution Category	Abstain	Against	For	Withhold	Total
Audit & Reporting		139	88	5	232
Board		374	1689	29	2092
Capital		55	168		223
Charitable Activity		1	0		1
Corporate Actions		2	13		15
Other		2	0		2
Political Activity	1	8	39		48
Remuneration	225	240	227		692
Shareholder Rights		19	102		121
Sustainability		51	146		197
TOTAL	226	891	2472	34	3623

When we voted against the management recommendation across all resolutions, this number rose to 1148 or 32% of votes.

VOTES AGAINST MANAGEMENT RECOMMENDATIONS 2023

Resolution Category	Vote against Management	Vote with Management	TOTAL	% Against
Audit & Reporting	144	88	232	62%
Board	439	1,653	2,092	21%
Capital	59	164	223	26%
Charitable Activity	-	1	1	0%
Corporate Actions	-	15	15	0%
Other	2	-	2	100%
Political Activity	38	10	48	79%
Remuneration	276	416	692	40%
Shareholder Rights	40	81	121	33%
Sustainability	150	47	197	76%
TOTAL	1,148	2,475	3,623	32%

Within the sub-categories of sustainability resolutions, we voted against management recommendations more than 50% of the time, with an average of 76% across all 6 sub-categories

VOTES AGAINST MANAGEMENT ON SUSTAINABILITY RESOLUTIONS 2023

Resolution Category	Against Management	With Management	Total	% Against
Sustainability	150	47	197	76%
Animal Welfare	3	0	3	100%
Environmental Practices	57	10	67	85%
Ethical Business Practices	41	11	52	79%
Human Rights & Workforce	44	22	66	67%
Other ESG	4	3	7	57%
Sustainability Reporting	1	1	2	50%

Can you explain your responses about your voting pattern in the previous two questions, particularly in comparison to industry peers?

GSI actively exercises our rights as a shareholder to promote responsible and sustainable practices in companies in which our funds invest and believe it is our fiduciary obligation to vote proxies in the best interest of our clients. Our voting pattern is a direct result of the implementation of our Voting Policy and a reflection of our commitment to long-term systemic change and sustainable value creation.

Our Voting Policy is produced by the Investment Committee with insights from our proxy advisor Minerva Analytics, academic research, industry experts, client feedback, and industry engagement. The policy is updated annually, to be consistent with global best practice guidelines such as the G20/OECD Principles of Corporate Governance. (Changes to the current version are in process now and will be available soon).

Management and shareholder resolution decisions often differ in focus because they represent different perspectives and priorities. While management resolutions focus on maximising profits and shareholder value, shareholder resolutions reflect a growing recognition that companies have a broader social and environmental responsibility that must be considered in business decision-making. Shareholder resolutions typically aim at holding the company accountable for its actions and encouraging it to adopt more sustainable and responsible practices.

We follow a bespoke framework for voting on shareholder resolutions. We are not restricted by the rules of ISS, or Glass Lewis or other large proxy firms that the majority of our peers use.

The framework enables votes in favour of resolutions that promote good corporate citizenship while enhancing long-term shareholder value, and against resolutions that are misaligned with good governance and shareholder value.

GSI guidelines to vote for shareholder proposals include:

- seek improved disclosure of an investee company's ESG and/or climate practices over an appropriate period.
- seek improved transparency over how the investee company is supporting the transition to a low carbon economy.
- seek to improve the diversity of the Board.
- seek improved disclosures on the diversity of the Board and the wider workforce.

A vote against a shareholder proposal may be cast if the proposal asks for a report to be produced on this issue and the company already provides timely and comprehensive disclosure on the issue or if the resolution is misaligned with good governance. We also vote against proposals considered to be a "shadow proposal" filed with a political spin.

Our level of support for Shareholder proposals is considered quite 'high' compared to our industry peers (81%). In the UK, support hovers at around 64% on average, while US asset managers on average only voted for 25%. (The Independent, January 11, 2023)

ShareAction surveyed the largest 69 asset managers and in their recent Voting Matters report they stated: *The world's four largest asset managers, who dominate the market, are among the most culpable, backsliding on support for shareholder resolutions. In 2023, the 'big four' (BlackRock, Vanguard, Fidelity Investments, and State Street Global Advisors) only supported – on average – one eighth of those put forward, a marked drop since 2021.*

We have limited if any of the conflicts of interest experienced by other larger asset managers in applying a voting policy and are not under the influence of a US parent.

Further information

For further insights or additional information regarding our engagement strategies and stewardship practices, please do not hesitate to contact our team on inquiries@gsillp.com or visit www.gsillp.com

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GSI is authorised and regulated by the Financial Conduct Authority (FRN 572537).
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