



Independent
Financial Group

Good Governance Assessment Policy

Revision Log

Version	Approved by the Board of Directors on	Comments	Changes made by
1	23 rd October 2023	First version	Barbara Polito

Introduction

The EU Sustainable Finance Disclosure Regulation (“**SFDR**”) requires that any Financial Product classified as Article 8 or Article 9 under SFDR does not invest in the securities of companies or other legal entities which do not follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

GWM Asset Management Limited (hereinafter “**GWM AM**”) is the investment manager of a number of alternative investment funds (“**AIFs**”) and other investment funds and has established this Good Governance Assessment Policy in relation to those investment funds it manages which are classified as Article 8 or Article 9 Financial Products.

This Policy should be applied in conjunction with GWM AM’s Responsible Investment Policy (“**RI Policy**”) which describes how GWMAM integrates sustainability factors and risks within its investment selection and evaluation process for the AIFs and other funds it manages.

Words or terms defined in the RI Policy shall have the same meaning when used in this Policy.

Meaning of Good Governance

The good governance requirement for investment in Investee Companies is not precisely defined in SFDR. For the purposes of this Policy, good governance in relation to an Investee Company is taken to mean good standards of corporate governance and management that, broadly, reflect established industry norms and practices with regards to (i) organizational structures and decision-making processes, (ii) accountability to shareholders, (iii) compensation structures, (iv) corporate culture, (v) compliance with applicable law and (vi) the absence of negative events that could have a material or adverse impact on the Investee Company’s financial results (hereinafter “**Good Governance**”).

Purpose of this Policy

For AIFs and other funds managed by GWM AM which are classified as Article 8 or Article 9 Financial Products under SFDR, it is a pre-condition for investment in any Investee Entity that the relevant Investee Entity must follow Good Governance practices.

The purpose of this Policy is to outline how GWM AM assesses Good Governance in relation to Investee Companies for each of its liquid and illiquid investment strategies.

Investment in indexes and baskets are not included in GWM AM’s assessment.

Good Governance assessment requirements

For AIFs and other funds managed by GWM AM which are Article 8 or Article 9 Investment Products, GWM AM’s portfolio managers and the GWM Investment Team are responsible for the ongoing assessment and monitoring of the governance practices of the Investee Entities in which the such AIFs or other funds invest. Such an assessment is inherently subjective and must be made in the context of the investment strategy of the relevant AIF or fund and the fiduciary duties owed to investors using available data and research resources which the portfolio managers and the Investment Team deem to be most relevant.

The assessment is based on specific methodologies that take into account the type of investment strategy (liquid or illiquid) and type of Investee Entities in which the relevant AIF or other fund invests.

Liquid strategy

Methodology of Good Governance assessment:

GWM AM performs an evaluation of Good Governance based on datapoints from external data-providers used for each particular investment. A minimum rating should be set for each Article 8 and 9 Financial Product for characteristics “Governance” and for Human Capital block of characteristics “Social”.

Good Governance assessment datapoints must be properly documented at particular product precontractual information.

If no datapoints are available from a data provider in relation to a proposed investment in a particular Investee Entity, GWM AM may use a questionnaire specifically developed for its illiquid strategies.

Illiquid strategy

Methodology of Good Governance assessment:

GWM AM assesses Good Governance based on a specific questionnaire that covers 4 topics: (i) Sound Management Practice, (ii) Employee Relations, (iii) Remuneration of Staff and (iv) Tax Compliance.

The questionnaire should be filled in for each proposed investment in an Investee Entity to confirm that minimum safeguards are in place. The questionnaire contains Yes or No questions, and can be filled in by GWM AM based on the information provided by or on behalf of the relevant Investee Entity or, in appropriate cases to be decided at GWM AM’s discretion, may be filled in by or on behalf of the relevant Investee Entity (for example, by its professional advisers).

Types of Investee Entities to be assessed:

- SPVs (special purpose vehicles), in these cases, the holding company of the SPV or the asset management company setting up the SPV, should be considered during the assessment;
- Large, medium and small companies;
- Family-owned micro businesses.

Checklist template:

*refers to the asset management company and/or the holding company

Topics	Questions	SPV*	Large	Medium	Small	Family owned	Target answer
Sound Management Practice	Has the Investee Entity implemented OECD corporate governance principles?		+	+	+		Yes
	Does the Investee Entity have independent members at the highest decision making body (e.g. Supervisory board, Board of Directors, etc)?		+	+			Yes
	Does the Investee Company publish audited financial statements and reports?	+	+	+	+	+	Yes
	Has the Investee Entity implemented a Code of Conduct?	+	+	+	+	+	Yes
	Is the Investee Entity compliant with the 10th principle on anti-bribery and corruption of the UN Global Compact and is not on the non-compliance list?		+	+	+		Yes
Employee Relations	Is the Investee Entity compliant with the 3rd principle on labor relations on the UN Global Compact and is not on the noncompliance list?	+	+	+	+	+	Yes

Topics	Questions	SPV*	Large	Medium	Small	Family owned	Target answer
	Has the Investee Entity implemented a Whistle-blowing mechanism or process?		+	+			Yes
	Has the Investee Entity implemented an annual employee survey?		+				Yes
	Is there a diversity and inclusion policy in place?		+	+	+		Yes
Remuneration of staff	Has the Investee Entity adopted a remuneration policy?	+	+	+	+	+	Yes
	Is the achievement of Environmental, Social or Governance targets and objectives integrated as an evaluation parameter within management's variable compensation package?		+				Yes
	Is there a mechanism to detect a potential gap in gender pay?		+	+	+		Yes
Tax Compliance	Is there an office or person responsible for ensuring compliance with tax matters?	+	+	+	+	+	Yes
	Is there a policy or other document that defines the approach of the Investee Entity towards a tax management process?		+	+	+		Yes
	Are there periodic checks over tax compliance that are performed by control functions?		+	+			Yes
	Has the Investee Entity been involved in proceedings regarding tax compliance issues within the last 3 years?	+	+	+	+	+	No
	Has the Investee Entity paid any fines due to tax incompliance within the last 3 years?	+	+	+	+	+	No

Assumptions/Definitions:

With regards to SPVs, the list of questions to be included in a specific questionnaire will be chosen depending on the size of the holding company and/or the financial institution.

A Large Company is defined as having an annual revenue of over 43 mln Euro.

A Medium Company is defined as having an annual revenue of between 10 mln Euro up to 43 mln Euro.

A Small Company is defined as having an annual revenue of below 10 mln Euro.

A Family-owned micro business will be, typically, a company with less than 15 employees and is managed by the family members of the shareholder(s), while annual revenue does not exceed the range of a small company.