Man Group

Engagement Policy

January 2023

Issuer

This policy has been issued by the following entities in the Man group of companies: Man Fund Management UK Limited; AHL Partners LLP; GLG Partners LP; and Man Solutions Limited (together, Man or Man Group).

Purpose and background

This policy has been issued with a view to compliance with the Financial Conduct Authority's Conduct of Business Sourcebook rule 2.2B.5(1)(a). This requires relevant firms to develop and publicly disclose an engagement policy that meets certain prescribed requirements. In particular, the engagement policy must describe how the relevant firm:

1. integrates shareholder engagement in its investment strategy;
2. monitors investee companies on relevant matters, including: (a) strategy; (b) financial and non-financial performance and risk; (c) capital structure; and (d) social and environmental impact and corporate governance;
3. conducts dialogues with investee companies;
4. exercises voting rights and other rights attached to shares;
5. cooperates with other shareholders;
6. communicates with relevant stakeholders of the investee companies; and
7. manages actual and potential conflicts of interests in relation to the firm's engagement.

These requirements are part of a series of regulatory initiatives aiming to promote effective stewardship and long-term investment decision making. The regulatory requirements referred to above aim to encourage effective stewardship by improving transparency about how stewardship is exercised by relevant fund and asset managers. Underpinning this is an assumption that greater transparency will make effective stewardship a differentiating factor across firms, and that this will encourage higher standards.

The Financial Conduct Authority also considers as follows:

- better transparency and greater disclosure will foster better information for stakeholders, helping markets work well;
- market integrity is supported through better engagement by asset owners. Stewardship provides a challenge to companies to run themselves better and to ensure the interests of those investing and those they are investing for are better aligned. This, in turn, can contribute to the long term efficiency and effectiveness of capital allocation, benefitting investors and society;

- effective stewardship supports consumers by better aligning incentives across the institutional investment community with the long-term interests of consumers of financial services;
- developing a market for stewardship will improve competition in consumers' interests by encouraging firms to compete to deliver high-quality investment decisions, oversight of assets, and the engagement with/challenge of companies' boards and management.

Our overall approach

At Man Group, we recognise that responsible investment is a key consideration in our goal to protect and enhance the value and interests of the assets entrusted to us for management, through engagement with Man Group investee companies.

Man Group has investment management businesses that offer a broad range of alternative and long-only investment strategies, run on a systematic and discretionary basis across liquid and private markets. This multi-asset, multi-strategy business necessitates a nuanced and flexible approach to integrating stewardship into our investment process. Whilst on the surface there may not be as many opportunities for a quantitative manager to exercise stewardship in its commonly defined manner, we believe areas do exist where our quantitative strategies may support our broader efforts across the Group. Accordingly, we have designed our approach to stewardship in close collaboration with senior members across Man Group's investment engines to leverage resources across the business to drive sound practices at all investee companies.

Prescribed information

Integration of shareholder engagement in investment strategy

Shareholder engagement is one of the key means by which Man Group seeks to execute the investment strategy for a particular client or fund; in particular, to protect and/or realise value. Effective and responsible engagement has long been a fundamental aspect of our approach to managing investments, managed in a variety of ways depending on the design of the product. For further information please see below.

We believe that by engaging with the companies in which we invest on behalf of our clients and funds, we can improve our understanding of them and ultimately protect and enhance the value of the investments we make - in other words, to deliver better long term investment performance. We also believe that high standards of corporate responsibility generally makes good business sense and has the potential to protect and enhance investment returns. Our investment process therefore seeks to assess this on an initial and ongoing basis, and monitor and engage with investee companies over time to promote good governance.

Engagement is conducted through a range of different methods. For example, engagement at the management or board level on corporate governance issues; proxy voting to express the long-term economic interests of shareholders; and collaboration with other institutional investors to address corporate governance issues. Issues may include strategy, performance, financing and capital allocation, management, acquisitions and disposals, operations, internal controls, risk management, the membership and composition of governing bodies, boards and committees, sustainability, governance, remuneration, climate change, and environmental and social responsibility.

We will determine the level and nature of engagement based on the circumstances, the size of our holding, and the potential impact of the relevant issue, with a focus on issues material to the value of the company's shares.

Further details as to when and how we deploy our engagement approach are set out below.

Monitoring of investee companies

Monitoring occurs on a routine and systematic basis in reliance on publicly available information with an overlay of various technical and fundamental inputs. The analysis utilised depends on the design of the product, and may include a company's financial statements, periodic reports and announcements. The publicly reported information used underpins much of Man Group's monitoring activity; in particular, as regards a company's strategy, financial and non-financial performance and risk, and capital structure. This is supplemented by the following, for information gathering and monitoring purposes:

- With regard to (a) strategy, (b) financial and non-financial performance and risk, and (c) capital structure, our discretionary managers conduct routine meetings with company management.
- Our Stewardship Team and Responsible Investment Team conduct additional engagement with companies on ESG themes through conference calls, letters, e-mails, video calls and in-person meetings –further details on this are set out below.
- Our group has developed an ESG analytics platform to assist in the monitoring of ESG risks and issues. This platform synthesises a number of different data feeds from external data providers as well as internal, proprietary ESG data to provide an ESG risk framework. Investment teams have access to the platform to monitor changes in scoring and environmental usage/intensity data with the dual capability of contribution and company drill-down functionality.

Dialogues with investee companies

Routine meetings

Stewardship is central to our discretionary managers' investment decision-making process. Our discretionary managers have exposure to a number of securities from separate corporate issuers and conduct routine meetings with company management teams to discuss economic, financial and non-financial ESG matters. This practice of active, positive engagement is an integral part of our discretionary manager's investment process, enhancing our research as well as, crucially, helping to reinforce long-term, constructive relationships with investee companies for the benefit of our clients.

Detailed approach to engagement

Complimenting this is our approach to engagement, meaning a constructive and purposeful dialogue with companies on material risks tied to ESG issues. Our approach to engagement extends across three distinct dimensions:

1. Systematic engagement (Firm-level / Direct Engagement)
2. Collaborative engagement (Firm-level / Collective Engagement)
3. Fund-level engagement (Fund-level / Direct Engagement)

The first dimension – systematic - is led by Man Group's Stewardship Team, which conducts direct engagement with companies on several ESG themes through conference calls, letters, e-mails, video calls and in-person meetings. This dimension spans all of Man Group's investment engines. It leverages the Group's scale and aggregate ownership in securities to promote best practices and affect meaningful, positive outcomes.

The second dimension - collaborative engagement - is also managed at the Group level by Man Group's Stewardship Team and the RI Team. Collaborative engagement occurs when a group of institutional investors come together to engage with companies on ESG issues. This approach often benefits from the involvement of an intermediary that supports investor coordination and dialogue and acts as a facilitator between investors and companies. We will provide additional information on our collaborative engagement initiatives in the following principle.

Finally, the third dimension - fund-level engagement - is conducted at the subgroup level, particularly within the firm's discretionary investment strategies. In this area, Man Group discharges its stewardship responsibilities primarily through company interactions and active engagement undertaken by investment teams within Man GLG who perform fundamental-oriented investment research.

Systematic Engagement

Systematic engagement as implemented by the Stewardship Team generally following six key steps:

1. Identification

The process starts with problem identification. Using our heritage in data to our advantage, we systematically monitor investee companies across a range of measures identifying scenarios where we believe there is a fundamental gap between a holding's material ESG risk that could be managed by the company and what the company is managing. This allows us a high-level overview of our broad holdings. This quantitative assessment is complemented by qualitative research by our dedicated stewardship specialists in devising our engagement target lists.

This analysis triggers enhanced company engagement with the purpose of augmenting our knowledge of the company, instigating change, and improving corporate practices and management of ESG issues. Typically, it involves an intensive, in-depth approach, tailored to the company and its challenges, over multiple interactions.

We also select engagement themes each year in cooperation with the RI Team, our Stewardship Committee, RI Committee, and senior management. Thematic company engagement is focused on a single issue, allowing us to explore carefully chosen ESG problems each year with a larger number of companies. In 2021, our engagement priority was to focus on companies identified as lagging on environmental reporting and GHG reductions plans and on diversity matters. Our Stewardship Team focuses their engagement efforts on encouraging issuers to take these issues seriously. Please see our Activities and Outcomes section which shows examples of this approach's success.

2. Selection

The second step is company selection. From the list of potential candidates, companies are chosen based on the materiality of the ESG risk, controversy level and / or exposure to the engagement theme. We then give priority to companies based on coverage, ownership stake and RI-dedicated funds overlap. This ensures that we have an active and constructive relationship with our key investee companies and increases the likelihood that our engagement efforts have a significant impact.

- Coverage – We will prioritise companies widely held by several portfolios across our investment engines.
- High-value positions – We will prioritise companies where funds managed by Man Group hold a meaningful ownership stake.
- RI-dedicated funds – We will prioritise companies in our RI-dedicated funds' portfolios. These are funds within Man Group that are focused on RI, and which fully integrate ESG into the investment process.

3. Discussion

We favour a transparent and collaborative approach. If we think we have a case for engagement, our next step is internal discussion. For this purpose, the Stewardship Team identifies holdings across Man Group for each target company and seeks the input of the relevant investment managers. Depending on the scale of the issue or our position, we will also bring the matter to the attention of the RI Committee and senior management.

At this phase, we will work on a strategy and define objectives for the engagement – deciding whom we are going to approach, how we are going to initiate dialogue with the company, and the key issues we are going to address. Establishing a plan with clear objectives and conducting research beforehand is essential for the successful implementation of our approach.

4. Initiation

The fourth stage is dialogue initiation. This is the point we contact the company and explain our motives and the background for the engagement. Generally, we will write to the company first and define the issues we would like to address and why. We then try to schedule an in-person meeting or conference call to discuss these matters at greater length, clarify our expectations, and hear the company's response. The way we choose to lead an engagement is not static, however, it varies depending on the company's response, circumstances and type of engagement.

We record all interactions with a company in our engagement tracker along with meeting notes and any other pertinent documentation.

5. Evaluation

The fifth step is evaluation. This is about monitoring progress and assessing the extent to which our objectives have been met. At this stage, we will deliberate if and when follow-up is needed, or if escalation is required – see below for further information on our engagement escalation procedures.

6. Conclusion

The sixth and final step is conclusion. When we close an engagement, we consider the results, what we have learnt and the efficacy of our engagement approach. Man Group believes that reporting transparency and consistency is essential to stewardship activities. Accordingly, on an annual basis we will report a summary of our engagement activity throughout the year. We will also report details of our engagement activities to clients upon request.

Escalation Guide

Our aim is to conduct all engagements in a positive and mutually beneficial manner. We recognise the importance of having discussions with our investee companies in a confidential manner and we strive to resolve any issues before taking further action. However, if we receive no response from the company, or we recognise a pattern of neglect and disregard, with no positive outcomes from our engagement efforts, we may take steps to escalate our actions. These include:

- Requesting meetings with a wider group of operational management;
- Requesting meetings with board chairman and/or other independent directors;
- Formalising our concerns in a letter to the board of directors;
- Identifying, contacting and relaying our concerns through the company's advisors;
- Collaborating with a broader investor group, particularly through an investor initiative if possible;
- Discussing and deliberating within Man Group's Stewardship Committee;
- Submitting individually, or with other shareholders, a shareholder resolution;
- Issuing a public statement at the time of an AGM or EGM; and
- Attending AGM and/or EGMs to publicly voice our concerns.

The exercise of voting rights

The exercise of voting rights is a key element of our active ownership approach. We carry out our fiduciary duty by voting at shareholder meetings and expressing our support for (or concern with) management and shareholder resolutions.

Our group's Stewardship Team oversees all proxy voting activity at the firm level.

Our voting policy seeks to encourage good corporate governance practices and promote ESG standards, whilst taking into consideration both company specific circumstances and broader market differences.

Proxy Voting Guidelines

As part of our commitment to stewardship, we have enhanced our proxy voting policy from a standard proxy default to an ESG-oriented voting preference. Our custom ESG Voting Policy uses the Glass Lewis (our use of proxy advisors is further explained below) standard policy as the base but applies a number of additional guidelines focused on ESG standards.

These guidelines target specific areas where we think higher standards should be promoted:

1. Board Gender Diversity – At large cap companies, vote against the male members of the nominating and/or governance committee when there is less than 30% female representation on the board of directors. At small cap companies, vote against the male members of the nominating and/or governance committee when there is not at least one woman serving on the board of directors.
2. Board Tenure and Refreshment – Vote against members of the nomination and/or governance committees wherein the board has an average tenure of greater than 10 years and there have been no new nominees in the last 5 years.
3. Executive Compensation – Vote against executive compensation policies wherein a company has received a Glass Lewis Pay-for-Performance grade of 'D' or ' F' and sustainability is not an explicit consideration when determining executive pay. Vote against executive compensation policies if compensation is not linked to climate change (Tier 1), environmental issues (Tier 2) or sustainability (Tier 3).
4. Independent Auditor – Vote against reappointment if the audit or has served for longer than 20 years.
5. Reincorporation – Vote against reincorporation proposals wherein a Company will be reincorporating to a tax haven and / or reincorporating offshore for tax and/or governance avoidance or to the detriment of shareholders.
6. Shareholder Proposals – Support shareholder initiatives that request additional disclosure on behalf of a company or are otherwise environment ally or socially positive, and not conversely aimed at limiting disclosure or consideration of key issues.
7. Climate policy overlay on Director Elections – Vote against if the company lacks an ESG committee, has experienced environmental / climate-related issues or concerns are identified in relation to Greenhouse Gas ('GHG') emissions or Science Bases Targets initiative ('SBTi') GHG emission targets, or other related issues.

The climate policy overlay, which applies to director elections, is a Task Force on Climate-Related Financial Disclosures ('TCFD')-centred proxy voting policy that "reflects a commitment to mitigating the risks and impacts of climate-related issues". The framework established by the TCFD considers a company's size and sector to ensure that shareholders execute votes that both promote a transition to a low-carbon future and make sense from a financial perspective in the context of a company's operations. The climate policy is constructed around three tiers: Tier 1 consists of Climate Action 100+ companies and receives the highest degree of scrutiny; Tier 2 consists of companies that the Sustainability Accounting Standards Board ('SASB') has identified as having a financially material risk due to GHG emissions; and Tier 3 comprises all remaining companies, which have lower exposure to climate risks.

Voting Process

Our aim is to vote at all meetings for our holdings where we have the legal right to do so and where it is practically possible. Where applicable, we will vote in accordance with our ESG Voting Policy, unless specifically instructed to vote otherwise by a Portfolio Management Team or client. If a Portfolio Management Team or client provides Man Group with specific instructions as to the manner in which a proxy should be voted, we will follow such instructions notwithstanding that they may not be in accordance with our custom ESG Voting Policy.

Given the number and diversity of investment teams at Man Group, we recognise that situations may arise in which investment teams form differing opinions on a proxy vote. In such circumstance, Man Group maintains a process designed to consider all perspectives, weighing them against management recommendations, recommendations from the proxy vote provider, the advice of Man Group's Stewardship Team and, where required, guidance from our Stewardship Committee, in order to arbitrate a decision that is transparent and in line with best practice.

Man Group's Stewardship Team maintains documentation of all proxy voting decisions which are contrary to our ESG Voting Policy. These are reviewed by the Stewardship Committee on a quarterly basis.

It should be noted that, in exceptional cases, Man Group may choose to refrain from voting due to additional costs associated with the vote which we believe are not beneficial to our clients. A primary example is where there are restrictions placed on trading. If share locking applies to a meeting, we think that the disadvantage of being unable to sell the stock generally outweighs the benefit of voting. In addition, some jurisdictions may require documentation that is difficult or costly to obtain as a condition to voting.

Use of Proxy Advisors

When considering a suitable proxy voting service provider, Man Group considers selection criteria based on a range of factors. These include: the ability to empower us to step into the process and execute on its stewardship agenda; the degree of collaboration, including facilitating the sharing of industry expertise; the scope of markets covered matching Man Group's investment universe; robust and user-friendly systems; and the adherence to best practice principles.

Man Group conducts initial due diligence on all new proxy voting service companies. We also perform ongoing due diligence on all appointed proxy voting service companies. This ongoing due diligence will generally include the review of the proxy voting service company's policies and procedures, conflict procedures and voting guidelines at least annually.

Our group has appointed Glass Lewis as its proxy service provider. We use Glass Lewis's voting platform 'Viewpoint' to vote our shares electronically, receive research reports and custom voting recommendations. We have monitoring controls in place

to ensure that the recommendations provided are in accordance with our ESG Voting Policy and that our votes are timely and effectively instructed. Specifically, our voting framework employs screening to identify high-value positions and the Stewardship Team manually reviews the pre-populated votes for such positions. In addition to this manual check, we also have in place electronic alerts to inform us of votes against our policy, votes that need manual input and rejected votes that require further action.

Cooperation with other shareholders

Man Group believes that engagement activities should go beyond company-specific meetings to address some of the broader themes relevant to the markets in which we invest. We recognise the benefits of different forms of engagement and the advantages of working collaboratively – from combining shareholder power and maximising influence to sharing resources and expertise.

We regularly support collective investor action through adding our name to signatory letters which draw attention to important themes and ESG factors that may have a long-term material financial impact.

Engagement with the relevant stakeholders of investee companies

Man Group's participation in industry level engagement includes those organised by United Nations Principles for Responsible Investment ('UN PRI'), Ceres, Farm Animal Investment Risk and Return, Share Action, UNI Global Union, Climate Action 100+ and Investor Forum.

Man Group is a signatory to the FRC UK Stewardship Code 2020 (latest readmission in September 2022).

We are also signatories and members to a range of initiatives and industry bodies aimed at formulating policy proposals to support efficient markets that take into account ESG risks and participate in collaborative activities with other investors when appropriate. These include our participation in the Net Zero Asset Managers initiative, World Bank's Carbon Pricing Leadership Coalition, Carbon Disclosure Project, Sustainability Accounting Standards Board, Institutional Investors Group on Climate Change, European Financial Reporting Advisory Group, Investment Association, Alternative Investment Management Association and SASB.

Management of actual and potential conflicts of interest

Man Group has a robust and comprehensive set of policies and procedures in place to deal with actual and potential conflicts that may arise between our interests and those of our clients or funds, and between the interests of one client/fund and another. We maintain a register of actual and potential conflicts, conduct initial and ongoing staff training on conflicts management, and undertake compliance monitoring to ensure our policies and procedures are effective.

The overarching goal is to ensure potential conflicts are identified in advance so they can be adequately considered and responded to, and beyond that, to prevent the risk of conflicts giving rise to a client or fund suffering loss.

We recognise that conflicts may arise on occasions as regards our engagement with investee companies; for example:

- if a company being voted on is a significant client of ours;
- where we (or one of our affiliates) are a shareholder of a company being voted on;
- where a director of ours (or one of our affiliates) is also a director of a company being voted on; or
- where we are the company being voted on.

To ensure that all relevant matters are dealt with in the overall best interest of our clients/funds, we have established a Stewardship Committee. Given the importance of incorporating views from all areas of the Group, the Stewardship Committee comprises the Stewardship Team, members of the RI Team, as well as Investment Operations, Compliance and Portfolio Manager representatives.

Among other things, this committee is responsible for dealing with potential conflict issues in relation to voting and engagement.

Further details are as follows:

- To the extent applicable, we maintain a list of entities in relation to which we may have an actual or potential material conflict with respect to voting proxies on behalf of our clients. This is titled the “Proxy Watch List”. It is updated periodically and maintained by the Stewardship Committee.
- The Stewardship Team or relevant trading operations teams are provided with a copy of this list so any relevant entities can be identified. Proxy ballot information is then forwarded to the Stewardship Committee for its information.
- A proxy of an entity on this list is to be voted in accordance with the relevant proxy voting guidelines unless otherwise decided by the Stewardship Committee. If the proxy with respect to a particular entity is not voted in accordance with the guidelines, or if there are no applicable guidelines, the Stewardship Committee decides how the matter should be voted, documenting the basis for its decision.
- If a member of the Stewardship Committee believes they have a material conflict, they refrain from participating in the decision. A majority vote of the remaining members of the Stewardship Committee is required.
- Man Group also maintains a policy that governs potential conflicts that may arise on an intra-firm basis, specifically among investment teams and their independent stewardship activities – e.g. where different teams managing different portfolios or funds may wish to vote differently. We maintain a process designed to deal with this scenario, considering all perspectives and weighing them against management recommendations, recommendations from our proxy vote provider, and the advice of our Stewardship Team to arrive at a decision that is transparent and in line with best practice.

We also maintain the following policies and procedures in respect of conflicts, which apply equally in the context of engagement:

- Code of Ethics Policy – this sets out our ethical standards and values. It also includes our framework on anti-bribery and corruption, anti-money laundering, gifts and entertainment, treating customers fairly (TCF), and market abuse/insider dealing. These items are also the subject of group-wide policies in their own right.
- Personal Account Dealing Policy
- Inside Information Policy
- Whistleblowing Policy

Conclusion

Our engagement objective is to enhance and protect the sustainable long-term value of our investments. As part of Man Group’s pledge to stewardship and corporate governance, we recognise our responsibility to promote sound corporate governance practices at our investee companies. Man Group is committed to promoting and raising awareness for responsible investment within the firm and more widely across the industry.

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