

Exercise Of Voting Rights And Shareholder Engagement Policy

Updated as of February 2021

I. Introduction

Waystone Management Company (Lux) S.A. (hereafter “**Waystone**”, formerly known as MDO Management Company) is a management company (hereafter “**ManCo**”) pursuant to Chapter 15 of the Law dated 17 December 2010 relating to undertakings for collective investments and is also an alternative investment fund manager (hereafter “**AIFM**”) pursuant to Chapter 2 of the Law dated 12 July 2013 relating to AIFMs.

This exercise of voting rights policy applies to Waystone and to the appointed delegated investment managers and investment advisors, as applicable, or, as the case may be, duly empowered legal representatives, or service providers (including proxy advisors), in the context of managing undertakings for collective investment in transferable securities (“**UCITS**”) and alternative investment funds (“**AIFs**”) located either in Luxembourg or Ireland (jointly hereafter referred to as collective investment schemes or “**CIS**”), and defines the minimum measures and procedures required by Waystone, when it is responsible to develop a strategy for the exercise of voting rights, to ensure that the voting rights attached to instruments held by the CIS are exercised if and when their exercise aims to maintain or improve the value of the instruments they are attached to.

This Policy is subject to the requirements contained in article 23 of CSSF Regulation 10-4 and article 37 of the Commission Delegated Regulation (EU) 231/2013 of 19 December 2012, as further detailed in section 5.5.10 of CSSF Circular 18/698 relating to the authorization and organization of Luxembourg investment fund managers.

In addition, this Policy shall take into consideration relevant provisions of the Luxembourg law of 1st August 2019 relating to the exercise of certain shareholder rights at general meetings of listed companies and transposing the requirements of the Shareholders’ Rights Directive 2017/828 (SRD II) and amending the Luxembourg Law of 24 May 2011 on the exercise of certain shareholder rights (the “**SRD Law**”). For the avoidance of doubt, this Policy is primarily applicable in relation to investments in corporations having their registered office in the European Union (the “EU”) and whose shares are admitted to trading in a regulated market located or operating in the EU.

Shareholder engagement is generally understood as the active monitoring of companies by shareholders, engaging in a constructive dialogue with the company’s board, and using shareholder rights, including

voting, to improve the governance and financial performance of the company. The SRD Law accordingly requires asset managers and institutional investors as defined in Article 2 (e) of the SRD II (“Institutional Investors”) to illustrate how they engage with investee companies and disclose their approach on an annual basis with a view to explain how shareholder engagement is included in the chosen investment strategy and implemented through e.g. the exercised voting behavior (including, as the case may be, an assessment of the effectiveness of the relevant remuneration policies of the investee companies which may lead to an adaptation of the voting behavior).

In principle Waystone encourages effective shareholder engagement to the extent it has a positive effect on corporate governance, and believes that shareholder engagement aspects relating to environmental, social and governance (ESG) principles, may strengthen the overall position of a company and allow investment risks to be managed properly on a long-term basis with a view to strengthen trust in financial markets and attract investors willing to make an impact.

II. Waystone’s strategy for CIS managed by third party investment managers

When delegating the investment management function on behalf of a given UCITS or the portfolio management function on behalf of a given AIF, Waystone usually agrees with the appointed investment manager of the UCITS or portfolio manager of the AIF to implement the following measures and procedures from a shareholder engagement and exercise of voting rights standpoints:

- Pre-investment phase research and due diligence performed by investment managers allowing to identify and assess the growth potential and key risks associated with a given target company, with possibility to engage directly with the management of such target company and, as the case may be, appoint experts to discuss particular aspects (such as environmental aspects);
- Monitoring of the corporate actions linked to the instruments held in the respective CIS (in conjunction with the central administrative agent/domiciliary agent of the CIS as the case may be);
- Ensuring that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant CIS, including, as the case may be, ESG criteria;
- Exercising voting rights if deemed appropriate;
- Preventing and managing any potential or actual conflicts of interest arising from shareholder engagement aspects or the exercise of voting rights. The conflicts of interest policy of the delegated investment manager or portfolio manager shall in particular:
 - identify, with reference to the activities of collective portfolio management carried out by or on behalf of a given CIS, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interest of such CIS and its investors;
 - define procedures to be followed and measures to be adopted in order to manage such conflicts.
- Verification that the investment manager has or not an engagement policy in place.
- Verification if an annual disclosure by the investment manager (e.g. on its website) of the implementation of the engagement policy (including how it has been implemented, including a general description of voting behavior, an explanation of the most significant votes and the potential use of proxy advisors’ services) has been done.
- Verification of a disclosure usually by the investment manager at least on an annual basis to Institutional Investors or by publicly available information of how the investment strategy and implementation thereof complies with applicable arrangements entered into with Institutional Investors.

- Waystone encourages delegated investment managers to adapt ESG considerations into their own engagement and voting right policies.

III. Waystone’s strategy when acting as investment manager for UCITS or portfolio manager for AIFs

Waystone may act as investment manager for UCITS and portfolio manager for AIFs.

With respect to UCITS for which Waystone acts as investment manager, the voting rights and shareholder engagement strategies to be developed will not only depend on the investment strategy and the nature of underlying investments but also on the objective criteria relating to the effectiveness and the relevance of the potential exercise of voting rights and shareholder engagement aspects attached to such investments. By way of principle, when acting as investment manager for UCITS, Waystone does not intend to participate directly or indirectly in the management of companies the shares of which are held in the portfolio of the relevant UCITS. Waystone shall instead consider the exercise of voting rights and shareholder engagement aspects in accordance with the best interest of the relevant UCITS and/or its investors. In practice, each decision subject to a vote as shareholder depends on a unique set of facts, which should be taken into account when determining whether the vote is in the best interests of the relevant UCITS and/or its investors.

When considering the best interest of the relevant CIS and/or its investors, Waystone includes ESG aspects in its decision-making process. The relevant aspects will be defined on a case-by-case analysis based on the specific characteristics of a given fund managed by Waystone. The following aspects, between others, might be considered:

- Corporate transparency: The target company’s reporting should have the highest degree of transparency regarding the position and development of the business. It should include, inter alia, the target company’s financial and operational results, a clear governance structure overview and performance on relevant ESG metrics in a timely, accurate and adequate manner.
- Social and labor standards: The target company’s evidence in relation adherence to general social and labor standards defined by e.g. local laws.
- Adherence to the principles of diversity: The target company has established objective internal criteria to value diversity principles including but not limited to age, gender, cultural background, marital or family status.
- Environmental standards: The target company established internal standards based on the type of activities it performs which address the handling and monitoring of environmental topics deriving from its business activities.

It may be the case that based on the “comply or explain” principle, Waystone decides to not apply a CIS specific engagement policy and abstain from voting; or decides to decline to vote when, on the basis of a factual analysis, e.g. the cost of the exercise of a voting right exceeds the expected economic value of the effect of the vote on the underlying investment. For example, such a situation may happen when the shareholding held by the relevant UCITS in a given underlying investment is insignificant.

Waystone usually agrees with the initiator of the CIS how to best develop and implement the engagement policy specific to a CIS in the interest of such CIS, its investors and ,as the case may be, the listed target company.

Should an investment advisor be appointed in respect of the relevant UCITS or AIF, specific discussions may take place in order to determine and adopt the most efficient engagement and voting rights policy.

From a process perspective, once it has been decided how to exercise voting rights, Waystone may instruct external parties (e.g. the central administration agent of the relevant UCITS, the investment advisor or proxy advisor) to perform the necessary diligences and actions to formalise the decision taken.

With respect to AIFs for which Waystone acts as portfolio manager, given the heterogenic nature of the corporate governance arrangements at AIF level and/or the underlying investments, Waystone develops appropriate voting right strategies on a case-by-case basis in the case AIFs investing into liquid assets only; a similar approach applicable to UCITS may also be applied to liquid AIFs.

Depending mainly on the investment policy and strategy of the relevant AIF and the arrangements agreed upon with the Institutional Investors, Waystone usually considers engagement in two manners: (i) engaging with target companies, mainly by meetings and direct communications with the senior management of such companies and/or (ii) exercising voting rights in the interest of such AIF, its investors and, as the case may be, the listed target company.

Further actions for engaging with listed target companies may be agreed upon with the CIS, its initiator and/or investment advisor.

Waystone, the initiator of the CIS and/or the investment advisor will also publish (e.g. on its website) at least on an annual basis how the engagement policy has been implemented, including a general description of voting behavior, an explanation of the most significant votes and the potential use of proxy advisors' services. To distinguish between most significant votes (being subject to disclosure) and insignificant votes (not being subject to disclosure) qualitative criteria (e.g. due to the subject matter of the vote) or quantitative criteria (e.g. due to the size of the holding in the listed target company) may be applied. Based on the "comply or explain" principle, such information might not be publicly available, e.g. in case the investment strategy of the CIS does not justify for such an implementation.

Furthermore, Waystone, the initiator of the CIS and/or investment advisor will also disclose at least on an annual basis to Institutional Investors or publicly make available how the investment strategy and implementation thereof complies with the applicable arrangements entered into with Institutional Investors.

IV. UCITS specific rules

Waystone or, as the case may be, the investment manager, shall ensure that no significant influence is exercised through the voting rights attached to instruments held across different portfolios under control by the investment manager. Significant influence in this context is mainly determined based on the numeric limits as applicable based on the laws under which the instrument is issued. In some situations, the investment manager may be deemed to exercise significant influence even if the aggregated voting rights are less than a numeric limit.

If a significant influence may be exercised, Waystone or, as the case may be, the investment manager, may abstain from voting on behalf of the UCITS or transfer the voting rights to an independent third party, including Waystone, which would act in the best interest of the UCITS and its investors.

The policies of the relevant investment manager, portfolio manager or advisor as well as Waystone's policy to exercise voting rights are available upon request.