



Applicable entity: Waystone Investment Management (“WIM” or the “Firm”)

# Voting Rights and Shareholder Engagement Policy

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## **1. Introduction**

Waystone Investment Management Limited (the “Firm”) acts as Investment Manager to a number of Collective Investment Schemes (“CIS”). Where the Firm acts as Investment Manager for a portfolio investing in listed companies which have their registered office in a European Union member state (a “Member State”), the Firm is responsible for adhering to the European Union (Shareholders’ Rights) Regulations 2020 (“SRD II”).

## **2. Regulatory Requirements**

In accordance with Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, as implemented by the European Union (Shareholders’ Rights) Regulations 2020 amending the Companies Act 2014, the UCITS Regulations and where relevant Company Law, WIM, to the extent WIM invest in shares of companies which have their registered office in a European Union member state and whose shares are traded on a regulated market on behalf of investors, is responsible for ensuring that systems and controls are established, implemented and maintained to ensure that:

- an engagement policy is publicly disclosed that describes how WIM integrates shareholder engagement in the investment strategy of managed Funds, or publicly disclose a clear and reasoned explanation why they have chosen not to do so,
- a framework of policies, procedures and controls is established to ensure an adequate and effective strategy for determining how and when voting rights attached to instruments held in the relevant Funds are to be exercised, so that these rights attached to instruments held in the managed portfolios are to be exercised, and accordingly benefit the relevant Funds and their investors.

This policy should be read in conjunction with the Firms Proxy Voting Policy.

## **3. Purpose**

The purpose of this policy is to define the minimum measures and procedures required by WIM, where 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 relevant Funds are exercised if and when such exercise has as its aim to maintain or improve the value of the instruments they are attached to.

In principle WIM 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 strengthening trust in financial markets and attract investors willing to make an impact.

Based on the “comply or explain” principle, a specific engagement policy for a Fund (or any sub-fund thereof) might not be publicly available where:

- (i) the investment advisor of the Funds does not require to apply a specific engagement policy to the Funds (or to the relevant sub-fund(s) thereof).

## 4. Policy

### *Where WIM Acts as Investment Manager*

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

With respect to UCITS for which WIM acts as investment manager, the voting rights and shareholder engagement strategies to be developed will not only depend on the investment strategy and nature of underlying investments but also on objective criteria relating to the effectiveness and relevance of the potential exercise of voting rights and shareholder engagement aspects attached to such investments. By way of principle, WIM when acting as investment manager for UCITS 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. WIM 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 depending on a unique set of facts, these 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, WIM includes ESG aspects in its decision-making process. Among those aspects are the relevant aspects that will be defined on a case-by-case analysis based on the specific characteristics of a given fund managed by WIM. The following aspects, among 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 labour standards: The target company's evidence in relation to adherence to general social and labour 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, as further described above, WIM decides to not apply a Funds specific engagement policy and abstain from voting or to decline to vote when, on 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.

WIM usually agrees with the initiator of the Funds how to best develop and implement the engagement policy specific to a Funds in the interest of such Funds, 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, WIM 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 WIM acts as portfolio manager, given the heterogenic nature of the corporate governance arrangements at AIF level and/or the underlying investments, WIM develops appropriate voting right strategies on a case-by-case basis

For 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, WIM 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 Funds, its initiator and/or investment advisor.

WIM, the initiator of the Funds 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 behaviour, 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 the event the investment strategy of the Funds does not justify such an implementation.

WIM, the initiator of the Funds 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. For the avoidance of doubt, WIM as Investment Manager in principle does not enter into any agreement with Institutional Investors.

In addition, WIM shall ensure to evidence and document that any investment decision taken and the exercise of voting rights or any other engagement related action are in line with this policy and, as the case may be, any Fund specific engagement policy.

### Asset Stripping

When an AIF, individually or jointly, acquires control of a non-listed company or an issuer pursuant to paragraph (1) of Article 30 of Alternative Investment Fund Managers Directive (2013), WIM shall for a period of twenty- four months following the acquisition or control of the company by the AIF, in so far as WIM or the appointed portfolio manager are authorised to vote on behalf of the AIF at the meetings of the governing bodies of the company, shall not be allowed to vote in favour of a distribution, capital reduction, share redemption and/or acquisition of own shares by the company as described hereafter:

- a) any distribution to shareholders made on the closing date of the last financial year the net asset value as set out in the company's annual accounts are, or following such a distribution would become, lower than the amount of the subscribed capital plus those reserves which may be not distributed under the law or the articles of incorporation, on the understanding that where the uncalled part of the subscribed capital is not included in the assets shown in the balance sheet, this amount shall be deducted from the amount of subscribed capital;
- b) any distribution to shareholders, the amount of which would exceed the amount of the profits at the end of the last financial year, plus any profits brought forward and sums drawn from reserves available for this purpose, less any losses brought forward and sums placed to reserve in accordance with the law or the articles of incorporation;

c) to the extent that acquisitions of own shares are permitted, any acquisition by the company, including shares previously acquired by the company and held by it, and shares acquired by a person acting in his own name but on the company's behalf, that would have the effect of reducing the net assets below the amount mentioned in point a).

The term "distribution" referred to in points (a) and (b) above shall include, in particular, the payment of dividends and of interest relating to shares.

The provisions on capital reductions shall not apply on a reduction in the subscribed capital, the purpose of which is to offset losses incurred or to include sums of money in a non-distributable reserve provided that, following that operation, the amount of such reserve is not more than 10% of the reduced subscribed capital.

The restriction set out in point (c) above shall be subject to points (b) to (h) of Article 20(1) of Directive 77/91/EEC.

### **UCITS specific rules**

Pursuant to article 48 (1) of the law of 17 December 2010 on undertakings for collective investments, as amended, "an investment company [...] may not acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body."

Accordingly, in the case where WIM has the potential to exercise such significant influence, it may have to take relevant steps so as to safeguard the best interests of the UCITS and its investors. As per sub-sections 2 and 3 above, WIM or, as the case may be, the relevant investment manager/sub investment manager must therefore establish an adequate and effective strategy for determining when and how voting rights attached to the instruments held in the portfolio of the relevant UCITS are to be exercised, to the exclusive benefit of the relevant UCITS and its investors.

WIM 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, WIM may abstain from voting on behalf of the UCITS or transfer the voting rights to an independent third party, which would act in the best interest of the UCITS and its investors.

### **Public Disclosure**

The Voting Rights and Shareholder Engagement Policy, or a substantive version thereof, shall be made available on the WIM website, and a hard copy be provided on request by institutional investors.

## **5. List of Associated Procedures**

- Proxy Voting Policy

## **6. Error/Incident Escalation Process**

Any breach of this policy shall be escalated and documented as outlined in the WIM Procedure for Managing and Reporting Investment Breaches, Incidents and Errors.

## **7. Responsibilities**

The Onboarding & Relationship Management Team are responsible for insuring that all clients are correctly categorised at the take on stage and on an ongoing basis.

## **8. Record Keeping and Monitoring**

WIM maintains all records relating to this policy for a period of at least five years, in line with its Data Retention Policy.

## **9. Disciplinary Action**

Non-compliance with either the letter or spirit of Waystone policies may result in disciplinary action against an employee or employees, including, but not limited to: mandatory retraining, reduction in or loss of contingent employee benefits, and/or termination. The level of disciplinary action that may result is dependent on a number of factors, including: the severity of the event, whether the non-compliance was wilful or accidental, and the willingness of the relevant parties to engage in transparent and efficient escalation and correction of the matter.

It is the responsibility of all employees to remain aware of and follow WIM's Policies and Procedures, and to escalate any incidents of non-compliance to their relevant supervisor and/or Risk or Compliance as the second line of defence.

## **10. Policy Review Frequency and Ownership**

As per the Waystone Group Policy on the Use of Policies and Procedures, all Policies of WIM are subject to at least annual review and approval by the Board of Directors.