



Ersel Gestion Internationale S.A.

**Engagement and Voting Rights Policy**

21.7.2021

## Company Policy

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### I. PREAMBLE, PURPOSE AND SCOPE

#### I.1. Preamble

As an Investment Fund Manager, Ersel Gestion Internationale SA (also referred to hereinafter as EGI or the IFM or the ManCo or the Company) undertakes to reasonably and responsibly exercise the rights relating to the financial instruments in the portfolios it manages, particularly equity portfolios. It operates in the conviction that good governance standards are fundamental to ensure confidence in capital markets and that the role played by institutional investors, managers and their advisors is important in the functioning of listed companies, in line with the goals of the European Union to “*encourage long-term shareholder engagement*” and to contribute to “*greater shareholder involvement in corporate governance*” (cf. Recitals 3 and 14 of the Shareholder Rights Directive II).

EGI will engage corporations in which its funds invest and will exercise its voting rights **in complete independence and in the sole interest of the investors**, with the main aim of increasing the value of their investments, in the mid to long term.

#### I.2. Purpose of the Policy

The purpose of EGI Engagement and Voting Rights Policy (“the Policy”) is to define the requirements and strategies adopted by EGI with reference to:

- the monitoring of corporate actions;
- interventions in corporate governance - so-called “engagement”;
- the exercise of voting rights in a manner consistent with the goals and the investment policy of the Fund concerned;
- the prevention and management of conflicts of interest resulting from the exercise of voting rights.

This Policy is implemented in compliance with regulations in force, particularly art. 37 of EU Regulation 231/2013, art. 124-quinquies and art. 3 octies of Directive 2007/36 as amended by EU Directive 2017/828 and CSSF Circular 18/698.

This Policy complies also with the guidelines issued by the European Fund Management Association (the “EFMA Stewardship Code”). These guidelines provide a set of best practices for collaboration between management companies and listed companies in which the former invest within the framework of collective asset management and portfolio management service. The goal is to foster strong links between corporate governance and the investment process. These guidelines apply to companies listed on a regulated market, to the extent that they are compatible with the regulations of the company's country of establishment and/or listing.

EGI applies the above guidelines with a flexible and proportional approach, considering the size of its participations or the importance of its investment in relation to the assets managed, but also considering the utility and effectiveness of the interactions with respect to the interests of the investors and the possibility of impacting the company's decisions.

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## II. ABBREVIATIONS AND DEFINITIONS

### II.1. Abbreviations

Abbreviation	Meaning
DIM	Delegate investment Manager
EGI Funds or EGI UCI	All EGI funds or UCIs, whether UCITS, SICAVs, SIFs, AIFs of which EGI is the IFM
ESG	Environment, social, governance
IFM, ManCo, the Company	EGI as Investment Fund Manager = Management Company and/or AIFM
IMA	Investment Management Agreement

### II.2. Definitions

**Investee Company** means companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State.

**Proxy Advisor** means a legal person that analyses, on a professional and commercial basis, the corporate disclosures and, where relevant, other information of listed companies with a view to informing investors' voting decisions by providing research, advice or voting recommendations that relate to the exercise of voting rights.

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### III. REGULATORY FRAMEWORK

Main regulatory references for this Policy are:

#### III.1.1. European level

Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.

Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (*the Shareholder Rights Directive II or SRD II*) amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (*the Shareholder Rights Directive I or SRD I*).

#### III.1.2. Luxembourg level

Law of 24 May 2011 on the exercise of certain shareholder rights at general meetings of listed companies, as amended, in particular by the Law of 1 August 2019 transposing Directive (EU) 2017/828.

CSSF Circular 18/698 on authorisation and organisation of Luxembourg management companies, as amended, and in particular *Section 5.5.10. Exercise of voting rights* thereof.

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### IV. ENGAGEMENT AND VOTING RIGHTS PROCESSES

#### IV.1. Monitoring Investee Companies

EGI monitors the listed companies in which it has an interest. This activity focuses on economic-financial data and ESG matters and is carried out on the basis of flexible and proportional criteria in consideration of the size of the participation in the company or of the significance of the investment with respect to the assets of the UCIs managed.

The monitoring of the listed companies in which EGI has an interest is carried out on an ongoing basis through the analysis of financial data and corporate governance information published on financial information sites (i.e. Bloomberg, the listing markets, etc.) and on the websites of the companies, participation in meetings with companies and using research provided by analysts, info-providers, proxy advisors and/or consulting firms.

With reference to EGI Funds, EGI managers continuously monitor the planning of ordinary and extraordinary shareholders' meetings of all the companies (both Italian and foreign) in EGI Fund portfolios.

#### IV.2. Engagement Processes

##### IV.2.1. Introduction

EGI believes that the relationship with the corporate bodies and/or the senior management of the investee companies is necessary and contributes to the creation of value in the case of long-term investments. This comparison is complementary both to the analysis of investments and to the exercise of voting rights, as it allows to address specific matters of governance, avoiding, in the first instance, the assessment of the divestment of the investment or an unfavourable vote.

##### IV.2.2. Forms of engagement

###### **a. Individual engagement**

Where EGI sees fit, it may adopt forms of “active” engagement with respect to the company in which it has an interest, which translates into requests for specific meetings with the management and/or the investor relations team of the company in order to address matters of specific interest or any problem that has emerged during monitoring activities.

###### **b. Forms of collective engagement**

Should the monitoring of the company in which EGI has an interest reveal circumstances that are of concern and have potentially significant effects on EGI Funds, EGI may assess the adoption of forms of collective engagement. In particular, EGI reserves the possibility to act jointly in collaboration with other institutional investors or to participate in the activities of committees of managers, in the exclusive interest of EGI Fund investors.

The engagement activity, whether individual or collective, is carried out in compliance with internal and external regulations for the management of conflicts of interest and insider trading (market abuse).

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### IV.2.3. Cases where engagement is indicated

Typical cases where the IFM may consider that an engagement is indicated are:

- an income trend significantly below expectations for the sector to which it belongs;
- proposals for extraordinary transactions that have an impact on corporate strategies and/or the business model;
- the company's risk profile or matters that could jeopardise the rights of shareholders;
- or matters related to ESG risks and policies.

In General, EGI pays attention to the policies of the Investee Companies with a view that sound policies governance practices (that include ESG concerns) may create value for shareholders on the long run.

As a support for investment decisions, engagement decisions and voting right exercise, EGI may rely on research which provides information and analyses of Investee Companies, including their ESG approach, with a view of assessing its impact in terms of reputation, competition and business opportunities.

### IV.2.4. Companies that may be targeted for engagement

For the above purposes, EGI adopts an approach aimed at maximising the effectiveness of active engagement. This approach envisages the selection of companies on which to focus engagement activities, taking into account:

- the size of the investment in the company;
- the significance of the investment in relation to the portfolio managed;
- the utility and effectiveness of the interaction in relation to the interests of the investors;
- the real possibility of influencing the company's decisions;
- the importance of the investment to the portfolio managed.

To this end, EGI also takes into account relational, linguistic, geographical and cultural factors that may positively or negatively affect the effectiveness of the active commitment actions.

### IV.2.5. Reserved information

In the case that EGI runs across reserved information during this analysis process, EGI will comply to internal procedures such as **EGI Market Abuse Policy** and regulatory requirements in this matter.

## IV.3. Exercising voting rights

### IV.3.1. Introduction

The exercise of the right to vote is carried out by EGI in the interest of EGI Funds Investors and in the light of the effective and real possibility to influence the decisions subject to approval by the shareholders' meeting.

### IV.3.2. Cases where voting is indicated

In application of the principle of proportionality, EGI prioritises attendance to the shareholders' meetings according to the qualitative/quantitative criteria listed below.

#### **a. Pre requisite**

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In order for EGI to participate to a vote, at least the following pre-requisites must be met:

- the total share of capital held by EGI Fund (taking into account the significance thresholds identified by the Company by type of financial instrument) must be relevant;
- the importance of the items on the agenda of shareholders' meetings.

EGI does not, however, exclude the possibility of exercising its voting rights also in the case of:

- shareholdings that fall below the significance thresholds identified by the Company;
- unlisted companies as well as unlisted closed-end UCIs, where such exercise is deemed appropriate or necessary in relation to the protection of the interests of the investors.

### b. Participation criteria

EGI decides to participate to voting in view of the following criteria:

- cost-benefit of the participation;
- relevance of the points on the agenda;
- assessment of the utility of the participation;
- objectives and investment policy of the EGI Fund;
- possibility to have an actual impact.

### c. Relevant topics

When assessing the opportunity to attend shareholders' meetings, EGI considers the importance of the topics to be voted on. Examples of important topics are:

- the election of auditors and board members;
- protection of shareholders' rights (profit and dividend distribution policies);
- analysis of the financial situation and approval of the financial statements;
- remuneration policies and incentive systems;
- extraordinary transactions;
- amendments to the articles of association;
- other decisions concerning or having an impact on risk management; including risks related to environmental and social sustainability;
- the corporate governance system;
- every other situation of particular interest in defense or support of the interests of minority shareholders when this is in the interest of the investors in EGI Funds.

**ANNEX I** describes in more details EGI's orientations in respect to the above themes.

For the above purposes, EGI adopts procedures and measures aimed at:

- monitoring pertinent capital transactions (corporate action);
- ensuring that the exercise of voting rights complies with the investment aims and policies of the UCIs concerned;
- preventing or managing possible conflicts of interest arising from the exercise of voting rights.

### IV.3. Cases where EGI renounces to exercise voting rights

EGI does not exercise voting rights in cases where its independence is not assured or in case of potential conflicts of interest as per **section IV.4.** below.

EGI does not exercise voting rights on stocks that are temporarily transferred, and under no

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circumstances does it bind itself to voting syndicates or block voting.

In any case, EGI will not exercise its voting rights in cases where such exercise is not beneficial to its investors, such as in the case where:

- the investment in certain financial instruments is of a temporary nature, forming part of a short-term investment strategy;
- the amount actually held in the UCIs managed is small in relation to the capitalisation of the issuing company;
- it is necessary to lock up the financial instruments for a prolonged period of time, which could prevent EGI from taking advantage of any market opportunities;
- the administrative costs associated with the exercise of voting rights are very high, also in relation to the amounts held on the various products managed and the real possibility of influencing the vote at the shareholders' meeting.

#### IV.3.4. Appointment of members of the boards and auditors

When called to vote for candidates for the boards of directors and for auditors of listed companies, EGI considers the professionalism, respectability and independence of the candidates as well as the conditions of ineligibility and incompatibility.

#### IV.3.5. Attendance to the shareholders' meeting

Attendance of shareholders' meetings can take place in the following ways:

- **direct attendance:** voting rights may be exercised by the Conducting Officer of the Investment Management function or by the manager of the specific EGI Fund or by another specially appointed staff member, with a specific proxy.
- **Indirect attendance** (by proxy): EGI shall send the documentation signed by the Conducting Officer of the Investment Management function, certifying the proxy given as well as the voting instructions for the individual items identified on the agenda of the shareholders' meeting.

In assessing how to exercise the voting right, EGI may enlist the support of one or more proxy advisors specialised in corporate governance and voting recommendations.

EGI does not delegate the exercise of voting rights to other Ersel Group companies, or to their representatives, unless this Ersel Group company is an EGI DIM and the IMA allows this.

#### IV.3.6. Exercise of voting rights by DIMs

EGI may delegate the investment management of some of its (sub) funds to external investment firms ("DIMs"). In such case the DIM will normally exercise voting rights and engagement. The extent of the DIM's competence in terms of voting rights and engagement is defined in the IMA.

### **IV.4. Independence, conflicts of interest, and transparency**

#### IV.4.1. Independence

EGI engages Investee Companies and exercises its voting rights in complete independence, in particular independently from Ersel Group companies, whether sister companies or Group companies that control EGI.



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### IV.4.2. Conflicts of Interest mitigations

EGI pays a particular attention when exercising voting rights to conflicts of interest that could be detrimental to EGI Fund investors.

When there is a potential conflict of interest, EGI will assess whether it is preferable to abstain to a voting or to nevertheless participate in order to safeguard EGI Funds investors' interests.

EGI does not exercise the right to vote in companies that control EGI directly or indirectly, except in the case of meetings called for the renewal of corporate offices that are about to expire or if the Company deems it necessary in order to protect the interests of EGI Fund investors.

EGI staff members who manage a Client portfolio or an EGI Fund may not be members of the Board of the companies that are present in the portfolio / fund they manage.

### IV.4.4. Transparency of EGI engagement and voting rights Policy

This Policy and its updates are posted on EGI website.

### IV.4.4. Transparency of the exercise of voting rights

As per Art. 1ersexies (1)(2) of the 24 May 2011 Law, EGI undertakes to ensure the transparency of the votes cast when exercising its voting rights and mentions the most relevant votes in the funds management reports.

### IV.4.5. Voting register

The Conducting Officer in charge of Investment Management

- holds
  - a register of the votes cast by EGI managers during the year for funds directly managed by EGI;
  - the DIMs reports on the votes they have cast during the year;
- reports annually to the ExCom the most relevant votes.

## **IV.5. Divestment**

Divestment is an instrument of last resort, to be used only after the path of engagement and communication has been taken without success.

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### V. DELEGATION OF INVESTMENT MANAGEMENT – DUE DILIGENCE ON DIMs

#### V.1. Delegation to DIMs

EGI may delegate the investment management of some of its (sub) funds to external investment firms (“DIMs”). In such case the DIM will exercise voting rights and engagement, as authorised by § V.3.6. The extent of the DIM’s competence in terms of voting rights and engagement is defined in the IMA.

This obviously does not release EGI from its responsibility in terms of engagement and voting rights. EGI policy in respect to its DIMs is as follows:

- to require its DIMs to have engagement and voting rights policies similar to EGI’s;
- to require in the SLAs of the IMAs that the DIMs report on their engagement and voting rights activities;
- to assure that EGI regular due diligences verify also whether DIMs have proper engagement and voting rights processes;
- to regularly monitor their engagement and voting rights activities.

#### V.2. Delegation to EGI by third party ManCos

EGI may be delegated the management of funds by third party ManCos. In such case, EGI will apply the present policy except when the IMA provides for different rules.

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### ANNEX 1 - EGI's ORIENTATIONS IN TERMS OF VOTING

#### 1.1. Management compensation

EGI believes that appropriately designed equity-based compensation plans, approved by shareholders, can be an effective way to align the interests of long-term shareholders and the interests of management, directors and employees. Consequently, EGI is opposed to plans that substantially dilute the shareholders' interest, provide participants with excessive awards, or have inherently objectionable features. EGI believes common stock and restricted common stock grants awarded in lieu of cash bonuses are the most preferred means of providing incentive to management and best align the interests of insiders with shareholders. EGI views stock options plans as the least desirable form of equity-based incentives because, unlike shareholders, the option holder has nothing at risk except opportunity costs.

- EGI will generally vote against plans where the potential dilution (including all equity based plans) exceeds 15% of the shares outstanding.
- EGI will generally vote against plans if annual option grants have exceeded 2% of shares outstanding.
- EGI will generally vote against plans that have any of the following structural features:
  - ability to re-price underwater options,
  - ability to issue options with an exercise price below the stock's current market price,
  - ability to issue reloads options,
  - automatic share replenishment ("evergreen") feature,
  - plans that can be amended without shareholder approval,
  - management having discretion in the granting of awards to non-employee directors.
- EGI will generally support measures intended to promote long-term stock ownership by executives. These may include:
  - requiring senior executives to hold a minimum amount of stock in the company (frequently expressed as a certain multiple of the executive's salary),
  - requiring stock acquired through option exercise to be held for a certain period of time (three years or longer is preferred),
  - using restricted stock grants instead of options.
- EGI generally supports expensing the fair value of option grants in order to recognize that value has been transferred to the option holder at the expense of the shareholder.
- EGI will generally support the use of employee stock purchase plans provided those shares purchased under the plan are acquired for no less than 85% of their market value.
- EGI will generally oppose the use of accelerated employment contracts that will result in total compensation (cash and present value of future payments, retirement benefits and equity-based awards) that exceeds three times annual compensation (salary and bonus) in the event of termination of employment.
- If EGI determines that executive or director total compensation is excessive compared to that of

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other similar companies, it may vote against any proposal that could result in increased compensation, or it may vote against the re-election of directors who are members of the board's compensation committee or it may vote against the re-election of all directors.

### 1.2. Shareholder rights

- EGI believes that shareholders should have voting power equal to their equity interest in the company and should be able to approve (or reject) changes to the corporation's bylaws by a simple majority vote, to the extent permitted by state corporation or other applicable laws.
- EGI will generally support proposals to remove super-majority voting requirements for certain types of proposals. EGI will generally vote against proposals to impose supermajority requirements.
- EGI will generally vote for proposals to lower barriers to shareholder action (e.g., limited rights to call special meetings, limited rights to act by written consent).
- EGI will generally vote against proposals for a separate class of stock with disparate voting rights.
- EGI will generally vote for proposals to subject shareholder rights plans ("poison pills) to a shareholder vote.
- EGI will generally support proposals to adopt cumulative voting.
- EGI supports the right of shareholders to vote on a confidential basis.

### 1.3. Change in corporate control

- EGI generally opposes measures that are designed to prevent or obstruct corporate takeovers. Such measures tend to entrench current management. EGI believes in free capital markets and that the potential transfer of corporate control through a takeover, hostile or otherwise, must be permitted to occur, if it is approved by the company's shareholders.
- EGI will generally oppose the use of accelerated employment contracts that will result in total compensation (cash and present value of future payments, retirement benefits and equity-based awards) that exceeds three times annual compensation (salary and bonus) in the event of termination of employment following a change in control of a company. EGI opposes such "golden parachute" plans because they impede potential takeovers that shareholders should be free to consider.
- EGI will generally vote against proposals to authorize preferred stock whose voting, conversion, dividend and other rights are determined at the discretion of the Board of Directors (commonly referred to as "blank check" preferred stock) and are intended to be issued in an anti-takeover situation. EGI will generally support the authorization of preferred stock if provisions are included that limit the voting rights to one vote per share and shareholders are permitted to vote on the issuance of preferred if it is to be issued in a takeover situation.
- EGI generally votes for the annual election of all directors and against classified boards. EGI believes that the shareholders should have the right to vote on all directors annually. Classified

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boards can be used to delay or obstruct a takeover that is in the shareholders' best interests.

- When voting on a resolution to approve a corporate merger or acquisition, EGI will make a determination of the merits of the proposed transaction based on EGI opinion of whether it will increase the long term economic value of the shareholders' investment. EGI may vote against such transactions where in its opinion the offer is at a price that is less than fair value.
- EGI will generally vote for resolutions endorsed by the board of directors regarding changes in the state of incorporation or increases in the authorization of common or preferred stock, unless in its opinion the purpose of the resolution is to obstruct a corporate takeover, reduce shareholders' rights or materially dilute the shareholders' voting or economic interests.
- EGI will generally vote for resolutions that change the state of incorporation, merger or other corporate restructuring which are in the interest of the shareholders. However, the EGI will vote against resolutions pertaining to takeover by an acquirer which are against the interest of shareholders.

### 1.4. Election of directors

EGI will usually vote for the recommendations of the board of directors of the company soliciting proxies for directors, except when the board of directors has shown a history of approving poor corporate governance policies. EGI will make a determination based on the past actions of such board of directors compared with the corporate governance standard outlined in the EGI voting policy. If EGI determines that there is a deficiency in corporate governance policies, it may vote against certain directors, such as the members of a board committee or against all directors. EGI will vote against all inside directors if independent directors do not comprise a majority of the board of directors. EGI may also vote against any specific director if it has knowledge that the person has shown poor business judgment, is not qualified, or lacks personal integrity.

### 1.5. Approval of independent directors

EGI will generally vote for the approval of the independent auditors, except where the audit and audit-related fees comprise less than 50% of the total fees paid by the company to the audit firm. EGI believes the auditor's independence could be impaired if its non-audit fees are larger than its audit fees.

### 1.6. ESG responsibility

EGI believes that ordinary business matters are primarily the responsibility of management and should be approved solely by the corporation's board of directors. Proposals in this category, initiated by shareholders, typically request that the company disclose or amend certain business practices. EGI will generally vote against these proposals unless it believes that the proposal has substantial economic implications which may favourably impact shareholder value.

### 1.7. Changes in capitalization

EGI recognises the need for management of an issuer to have flexibility in the issue or buyback of shares to meet changing financial conditions. Changes in capitalization will generally be supported where a reasonable need for the change is demonstrated; however changes resulting in excessive dilution of existing shareholder value will not be supported.

### 1.8. Other voting topics

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EGI believes other issues, including those business issues specific to the issuer or those rose by shareholders of the issuer, are addressed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value. EGI reserves the right to vote against any resolution that goes against the interest of fund shareholders.