

INTERNAL PROCEDURE

Procedure number: 1200-03 CPS	Procedure Name Voting & Engagement Policy	Version date:	2020-09	Rev. #:	9.0
		Last update / creation date:	2020-04		2013-02

Area:	1200, Portfolio Management Services	
Owner / Cond. Officer:	CO Client & Portfolio Services	CO C&PS
Process #:	#1210, Investment Implementation	
Cross-reference:	1210-01 C&PS – Portfolio Management Procedure 4300-03 COMPL - Conflicts of Interest	
Attachment(s):	-	

CONTEXT / OBJECTIVES / RISKS

Context:

The exercise of voting rights is one of the key areas of the internal governance system for investment fund managers, as highlighted most recently by CSSF Circular 18/698 (art. 159, resp. art. 392-396). The present procedure is to be seen in the context of the obligation of Ocorian Fund Management S.à r.l., formerly Allegro S.à r.l. (the “**Company**”) to develop adequate and effective strategies for determining when and how any voting rights attached to instruments held in the portfolios of the funds managed and administered by the Company (the “**Funds**”) are to be exercised, to the exclusive benefit of the Funds and their investors.

Furthermore, this procedure outlines the general principles for how engagement activities with listed investments (so-called Investee Companies, as defined below) are integrated in the investment strategy for funds where the Company acts as investment fund manager. In this context, it is important to retain that the Company’s investment focus on behalf of its Funds is on the alternative sector, i.e. non-listed assets and entities. As such, investments in Investee Companies will always be the exception, rather than the rule. Nonetheless, as a regulated entity, we are committed to comply with the relevant regulations and have implemented these general principles as part of the present procedure.

Procedure Objective:

The objective of the present procedure is to describe the Company’s approach with regard to such voting rights and engagement activities, and in particular:

- Determine when and how voting rights attached to such instruments are to be exercised;
- Monitor Investee Companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance, conduct dialogues with Investee Companies, cooperate with other shareholders, communicate with relevant stakeholders of the Investee Company;
- Identify and help to manage potential or existing conflicts of interest related to the exercise of such voting rights and engagement activities; and as such

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- Ensure compliance by the Company and the Funds with all applicable laws and regulations covering UCITS, AIF and Non-AIF structures, including publication requirements.

Risks:

- Legal & Regulatory risk, Reputational risk, Financial risk

GLOSSARY

AIFM – alternative investment fund manager

AIFM Law – the Luxembourg law of 13 July 2013 on alternative investment fund managers

AIFMD – Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers, as complemented by the Delegated Act of 19 December 2012

Company – Ocorian Fund Management S.à r.l., formerly Allegro S.à r.l.

Board – the Company’s board of managers

Fund(s) – Investment fund vehicles managed and/or administered by the Company and its group entities

Investee Company / Investee Companies – companies which have their registered office in a Member State issuing voting shares, profit units and non-voting shares (together “**shares**”) that are admitted to trading on a regulated market, as well as companies whose securities are traded on a market of a non-Member State, which is regulated, operates regularly, is recognised and open to the public, and which, by an express provision in their articles, have declared this law applicable.

Ocorian - Ocorian Holding (Europe) S.à r.l.

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Scope of the Procedure:

The following laws and regulations cover the area concerned by the present Procedure:

- Law of 17 December 2010 (coordinated version) relating to undertakings for collective investment (the “**UCI-Law**”);
- CSSF Regulation N° 10-04 transposing Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company (the “**Regulation UCITS**”);
- The law of 13 February 2007 relating to specialized investment funds, as amended from time to time (the “**SIF Law**”);
- CSSF Regulation N° 15-07 laying down detailed rules for the application of Article 42bis of the SIF Law concerning the requirements regarding risk management and conflicts of interest (the “**Regulation SIF**”);

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- 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 (the “**AIFM CDR**”);
- CSSF Circular 18/698 regarding the authorisation and organisation of Luxembourg investment fund managers (the “**CSSF Circular**”)
- Law of 24 May 2011 on the exercise of certain rights of shareholders in general meetings of listed companies and implementing Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (the “**SRD II-Law**”).

As laid out by Art. 37 of the AIFM CDR, the Company is obliged to develop adequate and effective strategies for determining when and how any voting rights held in the Fund portfolios that it manages are to be exercised, to the exclusive benefit of the concerned Fund and its investors. Such strategy shall determine measures and procedures for:

- a) Monitoring relevant corporate actions
- b) Ensuring that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant Fund; and
- c) Preventing or managing any conflicts of interest arising from the exercise of voting rights.

As laid down in Art. 1sexies (1) 1. of the SRD II-Law, the Company is obliged to

- a) develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement in their investment strategy.
- b) monitor Investee Companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance, conduct dialogues with Investee Companies, exercise voting rights and other rights attached to shares, cooperate with other shareholders, communicate with relevant stakeholders of the Investee Companies and manage actual and potential conflicts of interests in relation to their engagement.

Finally, a summary description of the strategies and details of the actions taken on the basis of those strategies shall be made available to the investors free of charge, notably by way of a website (art. 395 of the CSSF Circular / Art. 1sexies (2) of the SRD II-Law).

The above obligations are substantially matched by the Regulation UCITS and the Regulation SIF.

The present procedure is to be read in conjunction with the procedure “Conflicts of interest”.

Sub-section A - Voting Policy

1. As a general policy, the Board of Managers of the Company (the “**Board**”) is supportive of the management of the Funds’ target investments. However, in case such target investments consistently fail to achieve reasonable expectations, the Board will consider actively prompting changes, in collaboration with the investment advisor (if any) and/or the investment committee of the concerned Fund, if the type of target investment provides the opportunity to do so (e.g. in case of significant equity stakes). Such changes might

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range from the formulation of a new strategy to the appointment of new management or non-executive directors.

2. An active and informed approach to voting is an integral part of the Company’s role as independent management company and/or AIFM. By exercising votes on behalf of the Funds, the Board seeks both to add value and to protect the interests of the Funds’ investors. The Board considers the issues, communicates with the management and/or the investment advisor (if any/if necessary) and votes accordingly. In general, the Board would always seek to discuss any contentious resolutions before casting its votes in order to ensure that its objectives are understood and its votes will be cast in the best interest of the Funds’ investors.
3. In order to keep track of the actions taken on behalf of the Funds – and in accordance with the obligation laid out in Art. 37 of the Delegated Act to be able to provide investors on request with a summary description of the strategies and the details of the actions taken on the basis of such strategies, the Company has established and maintains a voting register since 1 January 2018 under the responsibility of the Conducting Officer for Client and Portfolio Services. Such voting register includes votes issued (i) by the Company in its role as management company and/or AIFM and (ii) by the governing bodies that are part of the the Company group. Furthermore, each recorded vote includes details on the Fund(s) concerned, the matters up for vote, the vote issued and the relevant dates.

Compliance is in charge of controlling the timely recording of votes issued in the voting register and to prepare a monthly summary of votes issued and recorded, for presentation to the Board for ratification. The current voting register is centrally filed on the Company’s servers under O:\Public\OCORIAN\2 Legal-Regulatory\20 Voting register.

4. This procedure and its appendices are reviewed and updated on a regular basis, at least annually.
5. This procedure is published in its current form on the Company’s website (www.ocorian.com).

Sub-Section B - Particular Voting Items

As a general principle, the Board will consult with the Funds’ investment committees or other form of investor representation, prior to casting a particular vote. For the avoidance of doubt, the Board does not take any external instructions, including from the shareholders of the Company, with regard to the exercise of voting on behalf of the Funds. The following general guidance has been established for recurring voting items regarding the Funds’ target investments:

1. Take-over bids for listed companies:

Valuation by the stock market is an important benchmark for monitoring board performance. For a listed company, a take-over bid or merger can be a necessary and important aspect in maintaining and enhancing shareholder value. The Board generally support incumbent management in good standing. However, it reserves the right to support hostile bids when the management have either consistently failed to respond to the reasonable expectations of shareholders or where, in its judgment, the level of a bid fully recognizes the future prospects of the Fund.

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2. Compensation plans:

It is clearly in the interest of investors that target company boards should have the ability to attract and retain the highest quality of personnel. Remuneration levels in different companies and geographic sectors will be a market based judgment, taking into account business size, complexity, relative performance and – where applicable – advice provided by local investment advisors for the Funds.

3. Capital raising:

Capital used by investee companies is derived from equity, debt and other creditors. The rights of the lenders and other creditors are precisely defined by law. This contrasts with the economic interests of investors providing the equity capital. The Board is aware that shareholder wealth may be often lost if companies raise capital for potential value-creating opportunities from new investors rather than raising capital on comparable terms from existing investors. Together with the investment advisors (if any) and/or the investment committees of the Funds, the Board will therefore evaluate on a case-by-case basis whether the use or non-use of its pre-emption right is in the best interest of the existing owners/investors.

4. Target fund investments

In the fund of fund context, target funds frequently install investor (advisory) committees as part of their governance structure. Such committees are often asked to provide feedback in the form of voting forms for a range of topics, including the acquisition of or the exit from a particular investment (such as a Real Estate property), changes to the target fund’s governing documents as well as items related to the end of a target fund’s lifetime (e.g. extension or entry into liquidation). In such cases, the Board will - together with the investment advisors (if any) and/or the investment committees of the Funds - evaluate such voting items on a case-by-case basis and in the best interest of the Funds’ and their investors.

Subsection C - Engagement Policy

1. Engagement and Monitoring

the Company acting in its capacity as (i) management company/governing body and/or (ii) AIFM of the Funds has the obligation with regard to due care and diligence in accordance with applicable laws and regulations by implementing an appropriate, documented and updated due diligence process when investing on behalf of the Funds, according to the investment strategy, the objectives and the risk profile of the Funds, as further described in the Company’s Portfolio Management Procedure (#1210-01 C&PS)).

The scope of due diligence procedures may vary depending on the type and size of each proposed investment and may include external due diligence reports on technical matters, intellectual property rights, regulatory and environmental issues, commercial as well as legal and accounting aspects.

Ongoing monitoring includes furthermore, assessment of companies’ market data (e.g. strategy, financial and non-financial performance, risk, capital structure) and consideration of the investment advisors’ research.

In case the Company detects concerns before investing on behalf of the Funds or during an ongoing monitoring of an investment on behalf of the Funds, the Company contacts the respective company / issuer and raises its

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concerns and undertakes best efforts to resolve this concerns in the best interest of investors, usually in close cooperation with the relevant investment advisor.

Engagement is undertaken through meetings and correspondence with respective Investee Companies, either directly or with the assistance of the relevant investment advisor.

2. Cooperation with other shareholders

Where appropriate, and always keeping in mind the best interest of investors, the Company may cooperate with other shareholders of a relevant Investee Companies in order to promote for example better corporate governance, risk management and ESG-related topics. Cooperation with other shareholders will take place if it is in best interest of investors, and only when such cooperation does not result in violation of any applicable laws and regulations or the Company’s internal procedures.

3. Reporting

Reporting on our engagement and voting is available to investors in line with their requirements. We publish our voting summary annually on our website www.ocorian.com.

Sub-Section D - Conflicts of interest related to the exercise of voting rights and engagement

With regard to potential conflicts of interest related to the exercise of voting rights and engagement, we refer to our separate policy “Conflicts of interest”, which covers inter alia conflicts of interest involving the Company and the Funds; conflicts involving different Funds; and conflicts involving the Company’s employees.

Situations could occur in which Funds hold financial instruments issued by the Company or its subsidiaries, its shareholders or companies with which the Company may maintain a strategic relationship and thus create a specific conflict related to the exercise of such voting rights. As a matter of independence, the Company will ensure to exercise all voting rights at any time independent from its shareholder Ocorian or affiliates of Ocorian. Any potential conflicts of interest in relation between the Company and Ocorian or affiliates of Ocorian will be handled in accordance with the policy “Conflicts of interest” (as amended).

Should the instance arise, in which the exercise of voting rights on behalf of the Funds would lead to the appearance of a conflict of interest, the Board will as a principle not exercise such voting rights without full disclosure to the Funds’ relevant investment committee or other form of investor representation.