

Internal Procedure

Ref:	
Procedure:	Engagement Policy
Process:	-
Owner:	Chief Investment Officer
Department(s) impacted:	All ManCo 's departments and employees
Cross-reference to other procedure(s):	Voting Rights Policy
IT System(s) used:	N/A
Applicable regulation:	Law of 17 December 2010 CSSF Regulation N° 10-04 Directive (EU) 2017/828 CSSF 18/698 Law dated 1 August 2019 (Shareholders' Law) EFAMA Stewardship Code

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1. Overview

Pharus Management Lux S.A. (including its Italian branch, hereinafter referred to as “the ManCo” or “Pharus”) is licensed by the Commission de Surveillance du Secteur Financier (hereinafter referred to as the “CSSF”) as:

- i. a management company as per the provisions of Chapter 15 of the Law of December 17th, 2010 relating to undertakings for collective investment, as amended (hereinafter referred to as the “UCI Law”), and as
- ii. an alternative investment fund manager as per the provisions of the Law of July 12th, 2013 on alternative investment fund managers, as amended (hereinafter referred to as the “AIFM Law”).

Accordingly, the ManCo is what is commonly known as a UCITS management company and as an AIFM.

In addition, Pharus is licensed by the CSSF to provide investment services, namely the management of investment portfolios on a discretionary basis, pursuant to the provisions of Article 101 (3) (a) of the UCI Law and Article 5 (4) of the AIFM Law.

2. Purpose and scope of the engagement policy

a. Purpose

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 purpose of this Engagement Policy (hereinafter referred to as the “Policy”) is to describe how the Company integrates shareholder engagement in its investment strategy regarding both the portfolio management of the Funds and the provision of investment services.

Specifically, this Policy describes how the Company intends to:

- monitor the companies in the shares of which it invests (hereinafter referred to as “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 attached to shares of investee companies;
- cooperate with other shareholders of investee companies; and
- manage actual and potential conflicts of interests in relation to its shareholder engagement.

b. Scope

The Policy applies to the funds for which Pharus acts as Management Company (the “Funds”).

In this policy, a Fund will represent either a UCITS or an AIF for which this Engagement Policy is applicable.

3. Definitions

Stewardship: engagement, i.e. the monitoring of and interaction, with investee companies, as well as exercising voting rights attached to shares. Engagement can be on matters such as: business strategy and its execution; risk management; environmental and social concerns; corporate governance issues such as board composition and the election of independent directors, together with executive remuneration; compliance, culture and ethics; and performance and capital structure. Asset managers have a duty to act in the best interests of their clients as they are entrusted with their money.

Asset manager: an AIFM (alternative investment fund manager), an investment company authorised under the UCITS Directive or an investment firm which provides investment management services such as portfolio management and/or segregated account management on a discretionary basis as a main business.

Institutional investors: include various (legal) entities such as pension funds, insurance companies, and other asset owners.

Client: any natural or legal person to whom an asset manager provides investment management services. The client may be an individual or institutional asset owner.

Investee Company: a company receiving the investment from asset owners, asset managers and other investors.

4. Regulatory framework

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.

Furthermore, this Policy is subject to the requirements of the Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies, as amended by Directive (EU) 2017/828 ("Shareholder Rights Directive II") encouraging medium- to long-term shareholder engagement and to enhance communication between companies and investors, was implemented in Luxembourg under the law dated 1 August 2019, amending the law of 24 May 2011 on certain rights of shareholders at general meetings of listed companies (the "Shareholders' Rights Law").

The dispositions of the Directive (EU) 2017/828, and in particular the dispositions laid down in the article 3g of the Directive ("Engagement Policy"), have been transposed by the European Fund and Asset Managers Association (EFAMA) into the EFAMA Stewardship Code. This Code sets out best practices for asset managers when they engage with the companies in which they invest on behalf of clients.

Principles of EFAMA

Principle 1:

Asset managers should develop and publicly disclose an Engagement Policy on whether, and if so how, they exercise their stewardship responsibilities. Where asset managers decide not to develop an engagement policy, they should give a clear and reasoned explanation as to why this is the case.

Principle 2:

Asset managers should monitor their investee companies, in accordance with their engagement policy.

Principle 3:

Asset managers should establish clear guidelines on when and how they will escalate engagement with in-vestee companies to protect and enhance value of their clients' investments.

Principle 4:

Asset managers should consider acting with other investors, where appropriate, having due regard to applicable rules on acting in concert.

Principle 5:

Asset managers should exercise their voting rights in a considered way.

Principle 6:

Asset managers should disclose the implementation and results of their stewardship and voting activities.

5. Monitoring of investee companies

Pharus regularly monitors investee companies to determine when it is necessary to enter into an active dialogue with their boards or management.

Pharus, through the monitoring, seeks to satisfy itself that the investee company's board, sub-committee structures and management are effective, and that independent directors provide adequate oversight.

Specifically, Pharus only decides to invest in the shares of an investee company once it has gained an in-depth understanding of the said company's overall business strategy, risk exposure and share capital structure.

In addition, Pharus funds are committed to incorporate environmental, social and governance (hereinafter referred as "ESG") criteria into their investment strategy.

However, it is the view of Pharus that integrating the environmental and social components of these criteria into its investment strategy would unduly restrict its potential investment universe.

Accordingly, the integration by Pharus of ESG criteria into its investment strategy is limited to the governance components of the said criteria, as follows:

Audited annual accounts

Audited annual accounts of investee companies should be made public to shareholders in a timely manner, and in any event in line with the applicable disclosure requirements imposed under the rules and regulations of the countries where investee companies have their registered offices. These accounts should meet accepted accounting standards, such as those of the International Accounting Standards Board (IASB).

Board of Directors

Board structure, Board independence and Board committees

Investee companies should be controlled by effective Boards of Directors, with executive and non-executive Directors. Also, the roles of Chairman and Chief Executive Officer should normally be

separate. Finally, Boards of Directors should delegate key oversight functions, such as re-responsibility for appointments, audit and remuneration issues, to independent committees.

Directors' liabilities

The Boards of Directors of investee companies should not be discharged from responsibility in case of pending litigation, or if there is evidence of wrongdoing for which the Boards must be held accountable.

Remuneration

The remuneration policy of investee companies should be transparent and fully disclosed to shareholders in a separate remuneration report within the audited annual accounts.

Issue of capital

Any new share issue should first be offered to existing shareholders of investee companies on a pre-emptive basis.

Also, no increase in capital should take place if it were to result in investee companies adopting 'poison pill' takeover defence tactics or shareholder value being diluted in the long-term.

Share repurchase programmes

Buy-backs should be in the best interests of all shareholders of investee companies.

6. Conducting dialogues with investee companies

Pharus seeks to engage directly with the management teams of investee companies.

Specifically, engagement includes an on-going communication between the Portfolio Management Department of Pharus and the management teams of investee companies; such communication may range from obtaining regular updates regarding the financial situation of investee companies to discussing specific issues, such as for instance a change of the overall business strategy.

In some cases, the Portfolio Management Department of Pharus may take a more focused approach, depending on the circumstances of investee companies; such approach may extend to meetings with the management teams of investee companies.

7. Exercising voting rights

As an active manager, Pharus recognizes that the exercise of voting rights is an important aspect of shareholder engagement, in particular if the shareholding is material with regard to the outstanding shares of an investee company.

The Portfolio Management Department of Pharus is ultimately responsible for determining whether and how to exercise voting rights. More information in this respect can be found in Pharus "Voting Rights Policy".

Pharus has put in place a Voting Rights Policy with the aim to determine an adequate and effective strategy of the ManCo for determining when and how voting rights attached to instruments held in the managed portfolios are to be exercised, to the exclusive benefit of the UCI concerned and its investors.

8. Cooperating with other shareholders of investee companies

In some cases, the Company may cooperate with other investment fund managers if it considers it to be in the best interests of its clients; such cooperation may be in the form of joining other investment fund managers in meetings with the management teams of investee companies.

9. Managing Conflicts of Interest

Pharus is aware that potential conflicts of interests may arise when engaging with investee companies; accordingly it has designed and implemented measures in order to limit such potential conflicts of interests.

More information in this respect can be found in Pharus Conflicts of Interests and Voting Rights Policies.

10. Disclosure

The Engagement Policy is free of charge and publicly available on Pharus website:

<https://www.pharusmanagement.com/lu/en/legal-documents/>

11. Review and Approval

The Engagement Policy is approved by Pharus Board of Directors and implemented by Pharus Conduct-ing Officers.

The Policy is regularly updated and every change is subject to the approval of the Board of Directors.