



1. Introduction

Hauck & Aufhäuser Fund Services S.A. (hereinafter “HAFS” or “investment fund manager – IFM”) is a management company authorized by the Luxembourg supervisory authority “Commission de Surveillance du Secteur Financier” pursuant to Chapter 15 of the Luxembourg law of 17 December 2010 on undertakings for collective investment (hereinafter “UCI Law”) and is also authorized as an alternative investment fund manager (hereinafter “AIFM”) pursuant to the Luxembourg law of 12 July 2013 on alternative investment fund managers (hereinafter “AIFM Law”).

As a management company or AIFM, HAFS is responsible for the collective portfolio management according to Annex II of the UCI Law or Annex I of the AIFM Directive. In this context, the IFM has the responsibility for the exercise of voting rights.

This document provides investors with an overview, how HAFS has implemented the requirements pursuant to Article 3 (g) (a) of the Shareholder Rights Directive (hereinafter “SRD II”) 2007/36/EC, as amended by the Directive (EU) 2017/828. In addition, the relevant requirements of the Luxembourg law of 1 August 2019, amending the law of 24 May 2011 on the exercise of certain rights of shareholders at general meetings of listed companies, and the implementation of the 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, are taken into account.

This Engagement Policy will be reviewed and updated on a regular basis, but at least annually. A review will also occur in case of necessary changes to the basic principles of this policy and in the event of relevant regulatory changes.

2. Purpose of the Engagement Policy

The Engagement Policy provides a guideline on engagement activities according to the SRD II. The scope of this policy covers the exercise of certain rights that are attached to voting shares in connection with general meetings of companies that have their registered office in a Member State of the European Union and whose shares are admitted to trading on a regulated market situated or operating within a Member State of the European Union (hereinafter “investee companies”).

The engagement process of the IFM may range from the analysis and monitoring of, participating with and casting of votes in relevant companies as outlined above. In this context, aspects of the strategy as well as financial and non-financial performance of the relevant companies may be considered.

3. HAFS as an IFM – possible Scenarios

In its function as a third-party IFM, HAFS considers itself as a specialist and competent partner regarding the design and administration of individual and complex fund structures. The unique selling point is a complete and high-quality range of services characterized by independence.

HAFS in its role as IFM, is generally responsible for performing the portfolio management function for the managed investment funds.

The performance of the portfolio management function for the investment funds can be structured as follows:

- i. Portfolio management function is performed by the IFM itself (with or without the support of an investment advisor);
- ii. portfolio management function is delegated to a qualified third party.

The two fundamentally different scenarios and the associated implications for the Engagement Policy are explained below.

3.1 Involvement of an Investment Advisor

In this scenario, HAFS performs the portfolio management function for the managed investment funds and may receive assistance from mandated investment advisors. In cases where an investment advisor supports the portfolio management function, HAFS utilizes the services of a proxy advisor that provides recommendations for the exercise of voting rights. The involvement of a proxy advisor is intended to ensure that an appropriate analysis of the investee companies is conducted so the exercise of engagement rights is in the interest of a sustainable and positive development of the investee company. The IFM is not bound by the proposals of the proxy advisor.

3.2 Delegated Portfolio Manager

If the portfolio management function has been delegated to a qualified third party, HAFS also systematically delegates the exercise of voting rights as part of the delegation and thus also the engagement with investee companies. The exercise of engagement measures for the investee companies – like the exercise of voting rights – is generally the responsibility of the respective delegated portfolio manager.

As part of the due diligence process HAFS will assess, whether portfolio managers, provided they are within the scope of the SRD II, consider the obligations according to the SRD II. The delegated portfolio managers can be found in the relevant pre-contractual information (prospectuses) of the respective investment fund.

4. Engagement Activities

Among others, HAFS manages its investment funds on behalf of institutional investors, asset managers and family offices. As already described in section 3, if HAFS performs the portfolio management function internally, it is supported by various investment advisors. Alternatively, HAFS might work together with various delegated portfolio managers, whereby different investment strategies may be pursued. The extent to which individual aspects of this Engagement Policy are considered in the managed investment funds depends on various factors/issues, such as (non-exhaustive list):

- What is the investment strategy pursued by the investment fund?
- What is the setup of the portfolio management function, i.e. delegated portfolio manager vs. investment advisor?
- Are there any relevant investee companies in the investment fund's portfolio?
- In proportion to the share of the fund's portfolio and the prospect of future performance, how important is the engagement with the investee company for the investment fund?
- Regarding the fund's investment strategy, are there any relevant engagement topics?

More information on the exercise of voting rights can be found in the relevant voting policy principles of HAFS. These can be found [here](#), in the section "Investor Protection" under the item "Strategy for the Exercise of Voting Rights".

4.1 Monitoring of investee Companies

Essentially, HAFS monitoring actions or measures can be separated into two categories:

- i. Monitoring actions related to financial aspects (direct and indirect); and
- ii. monitoring actions related to non-financial aspects.

In the course of performing the relevant monitoring measures, different tools are used, such as:

- **Bloomberg** for financial market data and the general development of assets. It is also possible to retrieve non-financial information via Bloomberg;
- for the oversight of various governance aspects, relevant **compliance programs** are used to monitor risks related to money laundering and terrorist financing on an ongoing basis;
- with the help of an **ESG data provider**, primarily non-financial aspects are assessed and monitored; and
- with the use of a **proxy advisor** further analysis is solidified and supported.

With the support of these tools, the key aspects of monitoring the investee companies may include, but are not limited to, the following elements:

- **Management Board / Supervisory Board / Board of Directors**
 - A vision of long-term value creation of the company's responsible management and supervisory body is in the interest of its shareholders – the composition, the activities and the compensation of the corporate bodies should reflect this.

- **Capital structure, capital measures and share repurchase**
 - Capital measures and share repurchases are in the interest of shareholders, provided, they enhance the company's long-term chances for success.
- **Appropriation of profits**
 - The remuneration policy as well as profit sharing / -distribution policy should be appropriate and in line with the long-term corporate strategy.
- **Auditor**
 - The annual financial statements should give a true and fair picture of the company's situation regarding net assets, financial position and earnings.
- **Mergers and acquisitions**
 - Mergers and acquisitions are only in the interests of shareholders if they are in line with the long-term corporate strategy.
- **Shareholder interest**
 - Each individual voting share should generally carry the same voting rights ("One Share – One Vote").
- **Non-financial performance and risks such as social and environmental impacts**
 - HAFS believes that non-financial aspects can have a significant long-term impact on a company's performance and thus on its key financial indicators. For example, social or environmental aspects may materially impact operations, shareholder value, and ultimately danger the continued existence of the company. Companies with underdeveloped sustainability standards are potentially more receptive to reputational risk, regulatory risk, and lawsuit risk.

Especially for the consideration of non-financial aspects the data and information from an ESG data provider is used. In this context, HAFS receives information on a wide variety of ESG aspects and evaluates those systematically. This ensures to maintain a minimum standard and to take sustainability risks into account.

4.2 Engagement with investee Companies

Constructive engagement with investee companies is important in order to influence their decisions to the benefit of the interest of the investors of the managed investment funds.

If necessary, HAFS will exchange opinions with the investee company itself or via a third party. The most important aspects of engagements may include the following:

- **Exercise of voting rights:** The most important factor for exerting influence is the exercise of voting rights. To appropriately analyse investee companies and decide on the right voting behaviour, HAFS can rely on the support of a proxy advisor.
- **Collaboration with other shareholders:** On certain issues, the pooling of voting rights in the form of collaborating with other shareholders, also known as collaborative engagement, may be appropriate. If such collaboration appears promising in the interest of the investors, HAFS might engage.
- **Conducting Dialogues:** If deemed relevant, HAFS might engage in direct dialogues, usually involving the management body of the investee company and the relevant portfolio management unit of the fund, that has the expertise regarding the overall investment strategy. These dialogues may include relevant topics such as: Business strategies, corporate governance structures, compliance & risk management, changes in capital structure, compensation issues, as well as social and environmental risks.

In order to avoid potential conflicts of interest due to the execution of this Engagement Policy which might negatively affect investors of the managed investment funds, HAFS has taken various organizational measures and published them in its Conflict of Interest Policy, which can be viewed [here](#) – please see section "Investor Protection", item "Principles for Dealing with Conflicts of Interest of Hauck & Aufhäuser Fund Services S.A."

5. Transparency throughout the Implementation of the Engagement Policy

HAFS is convinced that transparency is important for the investors of the managed investment funds. In accordance with Art. 3 (g) (b) of the SRD II, an annual Engagement Report will be prepared and published on the corporate website.