

---

# Proxy Voting and Engagement Policy

---

Last update

15/12/2022

## Table of Contents

1. Legal reference.....	3
2. Fundamental principles .....	3
3. Scope of the Policy.....	4
4. Strategy in case the portfolio management function has been delegated to a third party.....	5
5. Strategy in case MUFGLM performs the portfolio management function itself .....	6
6. Ongoing Monitoring and Review.....	7
Annex - Website locations of engagement policies of third party portfolio managers.....	8

DO NOT COPY

## 1. Legal reference

The Proxy Voting and Engagement Policy (the "Policy") is designed with a view to allow MUFG Lux Management Company S.A. (hereinafter "MUFGLM") to comply with the requirements related to the exercise of voting rights set out in:

- the Luxembourg Law of 1 August 2019 relating to the exercise of certain shareholder rights at general meetings of listed companies, and transposing the requirements of the Shareholders' Rights Directive 2017/828 ("SRD II"), and amending the Luxembourg Law of 24 May 2011 on the exercise of certain shareholder rights (the "Lux SRD Law");
- the CSSF Regulation 10-04 of 20 December 2010, transposing Commission Directive 2010/43/EU of July 1st, 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council, as regards organizational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a Depositary and a Management Company (the "CSSF Regulation 10-04");
- the Circular CSSF 18/698 regarding authorisation and organisation of investment fund managers incorporated under Luxembourg law & specific provisions on the fight against money laundering and terrorist financing applicable to investment fund managers and entities carrying out the activity of registrar agent (hereafter "Circular 18/698");
- the European Commission Delegated Regulation (EU) 231/2013 of December 19th, 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 "European Commission Delegated Regulation") ("AIFMD Level 2").

Some guidance with regard to SRD II from industry associations:

- the European Fund and Asset Management Association ("EFAMA") published a Stewardship Code outlining principles for asset managers' monitoring of, voting in, engagement with investment companies ([https://www.efama.org/sites/default/files/files/EFAMA%20Stewardship%20Code\\_FINAL.pdf](https://www.efama.org/sites/default/files/files/EFAMA%20Stewardship%20Code_FINAL.pdf));
- the Association of the Luxembourg Fund Industry ("ALFI") published a "SRD II Q&A" in two (2) issues: Issue 1 was published in May 2020, Issue 2 was published in May 2021 (<https://www.alfi.lu/en-gb/publications>).

## 2. Fundamental principles

The strategy for the exercise of voting rights should adhere to the following fundamental principles:

- a) monitoring relevant corporate events;
- b) ensuring that the exercise of voting rights and shareholder engagement is in accordance with the investment objectives and policies of the relevant fund managed by MUFGLM;
- c) preventing or managing any conflicts of interest arising from the exercise of voting rights and shareholder engagement.

### 3. Scope of the Policy

The Policy applies to MUFGLM and to the appointed portfolio managers in the context of managing undertakings for collective investment in transferable securities ("UCITS") and alternative investment funds ("AIFs") located either in Luxembourg or other jurisdiction, and defines the minimum measures and procedures required by MUFGLM, when it is responsible to develop a strategy for the exercise of voting rights or shareholder engagement, to ensure that the voting rights or shareholder engagement attached to instruments held by the funds are exercised to the exclusive benefit of the funds and its investors.

According to point 393 of Circular 18/698, a fund that has not specifically mandated MUFGLM to exercise the voting rights to the instruments held in its portfolio, must develop its own policy for the exercise of voting rights.

MUFGLM's strategy is to entrust the relevant portfolio manager with the exercise of any such voting rights and/or shareholder engagement for the funds for which the portfolio management function is delegated. In this case, MUFGLM gets the confirmation from the portfolio manager(s) that it/they always vote and/or engage in a manner which is in line with a particular fund's investment strategy, policy and objectives, and in the exclusive interests of its investors.

As part of its due diligence duties, MUFGLM ensures that the portfolio manager has established and maintains up-to-date a policy relating to the exercise of the voting rights and shareholder engagement attached to the securities held by the relevant sub-fund(s) and implements such policy by monitoring any action taken on behalf of the funds/sub-funds.

In some cases, MUFGLM acts also as portfolio manager for some Cayman domiciled funds. For those Cayman domiciled funds MUFGLM is acting as sub-manager and usually may decide at its absolute discretion whether or not to (i) procure the exercise of any voting rights or shareholder engagement attached to the investments or other assets or (ii) delegate such activity to the investment manager.

When it concerns the **application of SRD II** in particular, the Policy is primarily applicable in relation to investments in entities having their registered office in the European Union ("EU") with the shares admitted to trading on a regulated market located or operating in the EU. 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 Lux SRD Law accordingly requires portfolio managers and institutional investors as defined in SRD II ("Institutional Investors") to illustrate how they engage with investee companies and disclose their approach on an annual basis with a view to explain how shareholder engagement is included in the chosen investment strategy and implemented through e.g. the exercised voting behavior (including, as the case may be, an assessment of the effectiveness of the relevant remuneration policies of the investee companies which may lead to an adaptation of the voting behavior). SRD II applies to all the funds for which MUFGLM has been appointed the management company or alternative investment fund manager,

irrespective of their domicile or legal form, as long as these funds invest (*via direct equity investments*) in entities having their registered office in the European Union ("EU") with the shares admitted to trading on a regulated market located or operating in the EU.

#### **4. Strategy in case the portfolio management function has been delegated to a third party**

When delegating the portfolio management function on behalf of a UCITS or an AIF (including non-EU domiciled funds (e.g. Cayman Islands domiciled funds or Bermuda domiciled funds)), MUFGLM monitors if the appointed portfolio manager has implemented the following measures and procedures from a shareholder engagement and exercise of voting rights standpoints:

- pre-investment phase research and due diligence performed by portfolio manager allowing to identify and assess the growth potential and key risks associated with a given target company, with possibility to engage directly with the management of such target company and, as the case may be, appoint experts to discuss particular aspects (such as environmental, social or/and governance aspects);
- monitoring of the corporate actions linked to the instruments held in the respective fund (in cooperation with the central administration agent and depositary of the fund);
- ensuring that the exercise of voting rights and shareholder engagement is performed in accordance with the investment objectives and policy of the relevant fund;
- exercising voting rights or shareholder engagement if deemed appropriate;
- preventing and managing any potential or actual conflicts of interest arising from shareholder engagement aspects or the exercise of voting rights. Therefore, the conflicts of interest policy of the delegated portfolio manager shall in particular:
  - o identify, with reference to the activities of collective portfolio management carried out by or on behalf of a given fund, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interest of such fund and its investors;
  - o define procedures to be followed and measures to be adopted in order to manage such conflicts;
- verification that the portfolio manager has or not an engagement policy in place; and if an engagement policy is in place, where it is published on the portfolio manager's website (see the [Annex](#) to this Policy for the website locations);
- verification if an annual disclosure by the portfolio manager of the implementation of the engagement policy (incl. how it has been implemented, a general description of voting behavior, an explanation of the most significant votes and the potential use of proxy advisors' services) has been done;
- verification of a disclosure usually made by the portfolio manager at least on an annual basis to Institutional Investors or verification of publicly available information regarding how the

investment strategy and implementation thereof complies with applicable arrangements entered into with Institutional Investors.

The portfolio manager shall report to MUFGLM on a regular basis on the exercise of voting rights. Quarterly KPIs are organized by MUFGLM in the form of the request to the portfolio manager to confirm if any voting rights have been exercised during the reporting period. MUFGLM will ensure that the guidelines described in the portfolio manager's voting policy and in its shareholder engagement policy are, to the extent possible, followed by the portfolio manager and that a report is presented to MUFGLM at least annually. Such report shall include all the proxies received and the decisions which were taken for each proxy, communications received, decision' support documentation, or any document which may be relevant. MUFGLM maintains in adequate and orderly manner records of these voting activities. To this end, MUFGLM puts in place "management information" permitting the follow-up of these delegated activities. Finally, it is ensured that this management information is available in Luxembourg and kept in a central database accessible at any time in Luxembourg.

## **5. Strategy in case MUFGLM performs the portfolio management function itself**

MUFGLM may act as portfolio manager of **UCITS** and **AIFs**. Currently, MUFGLM only acts as portfolio manager of **AIFs**.

MUFGLM will develop appropriate voting right strategies on a case-by-case basis. Depending mainly on the investment policy and strategy of the relevant AIF and the arrangements agreed upon with the Institutional Investors, MUFGLM shall usually consider 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 fund, its initiator and/or investment advisor.

In cases where SRD II applies, MUFGLM, the initiator of the fund and/or the investment manager/advisor, will publish at least on an annual basis how the engagement policy has been implemented, including a general description of voting behavior, 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, for example in case the investment strategy of the fund does not justify for such an implementation. Furthermore, MUFGLM, the initiator of the fund and/or investment manager/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.

## **6. Ongoing Monitoring and Review**

The proxy voting and shareholder engagement process will be periodically reviewed by MUFGLM conducting officers and compliance officer in order to ascertain that voting rights and shareholder engagement are exercised in the best interests of MUFGLM's clients, i.e. the funds, and their investors, and that the portfolio managers' voting and shareholder engagement processes remain well-structured, efficient and exercised in the best interests of the funds and their investors.

DO NOT COPY

## Annex – Website locations of engagement policies of third party portfolio managers

Fund concerned	Third Party Portfolio Manager	Website address
MAN-AHL MILESTONE	AHL Partners LLP	<a href="https://www.man.com/responsible-investment">https://www.man.com/responsible-investment</a>
MORGAN STANLEY HORIZON FUNDS SICAV	Morgan Stanley Investment Management Limited	<a href="https://www.morganstanley.com/im/publication/resources/sustainable-investing-policy_us.pdf">https://www.morganstanley.com/im/publication/resources/sustainable-investing-policy_us.pdf</a>
MU ABERDEEN FUND	Aberdeen Standard Investments (Asia) Limited	<a href="https://www.abrdn.com/en-gb/institutional/sustainable-investing/governance-and-active-ownership">https://www.abrdn.com/en-gb/institutional/sustainable-investing/governance-and-active-ownership</a>
MUGC/B MULTI ASSET FUND	BlackRock Investment Management (UK) Limited	<a href="https://www.blackrock.com/corporate/about-us/investment-stewardship">https://www.blackrock.com/corporate/about-us/investment-stewardship</a>
PANCURRI INVESTMENTS LIMITED	Evelyn Partners	<a href="https://www.evelyn.com/services/investment-management/stewardship/">https://www.evelyn.com/services/investment-management/stewardship/</a>

**Note:** SRD II is applicable to funds which – according to their investment policy – invest in shares that are admitted to trading on a regulated market (within the meaning of Article 4(1) of MiFID II) within the territory of the European Economic Area.