

Stewardship and Engagement Policy

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Approved by: Smart Private Managers (Luxembourg) S.A.

1. Scope of the policy

This policy describes how Smart Private Managers (Luxembourg) S.A. (“Smart” or “We”) implements its Stewardship and Engagement duties. It should be read in conjunction with “Environmental Social & Governance (ESG) Investment and Ownership policy” adopted by Smart alongside its signature of the “United Nations Principles for Responsible Investing”.

We understand the importance of our role as steward of our client's assets and the fiduciary role we have towards them. We believe that long term successful development of a company and the protection of our interests as shareholders are supported by high standards of governance. Furthermore, we believe that those standards are also beneficial to other stakeholders. We seek to promote good corporate behaviours through voting and constructive open dialogue with the companies we are invested in.

We distinguish three levels in this policy:

- Monitoring of investments
- Engagement
- Voting policy

This policy will apply to any investment made in the context of a discretionary portfolio management and sub-investment mandates and can only be superseded by specific requirements expressed directly by a client.

This policy will be reviewed at least on annual basis but can be modified at any time without prior notification.

2. Monitoring of investments

We apply a value investment philosophy aiming to invest in securities we consider under-priced compared to our estimation of their intrinsic values. We are aware that the reduction of a discount between the market price of a security and its intrinsic value can be a multi-year process. Furthermore, we prefer to invest in high quality securities for which we hope the intrinsic value would grow year after year. A long term horizon is therefore embedded in our analysis of any security and, for equities, we view ourselves as part-owner of a company rather than simple holder of an abstract financial product.

Being fundamentally driven, we emphasize individual security selection through a thorough internal analysis aiming to evaluate the risk/return trade-off on any investment opportunity. We believe that the investment activity is an ever evolving process and therefore a rigorous continual monitoring is needed to insure that any investment still satisfies our requirements. Among others, we are monitoring the following aspects:

- Strategy of the company
- Financial and non-financial performance and risks
- Capital structure
- Environmental, Social & Governance aspects (as described in Smart's "Environmental, Social & Governance (ESG) Investment and Ownership policy")

We believe that internal analysis is the best way to avoid any biases in an investment decision. The monitoring of any security encompasses the extensive analysis of any public information. External research can be used as a secondary source to better assess the market sentiments towards an investment thesis or to get a better overview of a particular sector or industry.

The Investment Team analyses that information to continuously adapt its valuation model, monitor the risk/return attractiveness and compliance to our requirements of any investment.

3. Engagement

3.1 Engagement with an investee company

We view the engagement with the investee company as a part of the duties in terms of monitoring. We proactively engage with the Investment Relation department or the management team of a company when our monitoring process has detected a specific issue. The Investment Team will analyse critically any information provided by the company.

During our interactions with a company, we may also engage with an investee company on more general matters such as encouraging higher disclosures of information in public reports.

3.2 Engagement with other Investors and stakeholders

When legally permitted, we are willing to consider collective engagement initiatives, especially those supported by the "United Nations Principles for Responsible Investing". Relevant factors in determining whether or not to participate in collective engagement will mainly include the leading participants in the initiative as well the size of our investment.

4. Voting policy

4.1 Voting Principles

We believe that voting in General Meetings adds value and protect our interests as shareholder. Moreover, we view voting as more effective when accompanied with an open and constructive dialogue with the management and the industry the company is part of.

We believe that the International Corporate Governance Network (ICGN) Global Governance Principles¹ are a detailed basis for any sound voting guidelines.

The following principles will lead the decision of the Investment Team in taking the decision to vote for/against/abstain on a particular resolution:

- The board should act on an informed basis and in the best long-term interests of the company with good faith, care and diligence, for the benefit of shareholders, while having regard to relevant stakeholders, including creditors,
- Board leadership calls for clarity and balance in board and executive roles and an integrity of process to protect the interests of minority investors and promote success of the company as a whole,

¹ <https://www.icgn.org/policy/global-governance-principles>

- There should be a sufficient mix of directors with relevant knowledge, independence, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision-making,
- The board should adopt high standards of business ethics, ensuring that its vision, mission and objectives are sound and demonstrative of its values. Codes of ethical conduct should be effectively communicated and integrated into the company's strategy and operations, including risk management systems and remuneration structures,
- The board should proactively oversee, review and approve the approach to risk management regularly or with significant business change and satisfy itself that the approach is functioning effectively,
- Remuneration should be designed to effectively align the interests of the CEO and executive officers with those of the company and its shareholders to help ensure long-term performance and sustainable value creation. The board should also ensure that aggregate remuneration is appropriately balanced with the needs to pay dividend to shareholders and/or retain capital for future investment,
- Boards should oversee timely and high quality company disclosures for investors and other stakeholders relating to financial statements, strategic and operational performance, corporate governance and material environmental and social factors. A robust audit practice is critical for necessary quality standards,
- Rights of all shareholders should be equal and must be protected. Fundamental to this protection is ensuring that shareholder voting rights are directly linked to shareholder's economic stake, and that minority shareholders have voting rights on key decisions or transactions which affect their interest in the company.

We seek to vote on any meaningful decision. However, in some certain situations, such as when the cost of submitting a vote outweighs the estimated associated benefits, we would refrain to vote. We would also take into account the particular circumstances of the company concerned and prevailing local market best practices.

4.2 Voting Guidelines

As a guideline, we seek to vote "against" resolutions that do not respect the ICGN Global Principles and will vote "for" resolutions that enhance the governance or the accountability within a company. Besides the Voting Principles described above, the Investment Team will assess in a critical way the different resolutions to be voted on, factoring in its decision the knowledge of the company and the knowledge of the sector. The following shows areas that we view as critical:

- Financial statements and external auditors

We will take special consideration on reliability of accounts and procedures, responsiveness of the company to shareholders' questions, sudden change of auditor, possible issues regarding tenure, fees and independence of the auditor.

- Board of directors

At the Board level, we will take special consideration on independence, past performance, effective implementation of good governance standards, gender diversity and global skillset.

At the Director level, we will take special consideration on repeated absence to Board meetings, external commitments, good standing, skill, indemnification of executive directors.

- Remuneration

We will take special consideration on alignment of pay to performance, assessment of short term versus long term targets, disclosures, level of pay compared to country or industry standards, retirement benefits, appropriateness of incentives, golden parachutes.

- Merger and Acquisitions

We will take special attention to the amount of information available, alteration of voting rights, post-transaction governance, alignment of the transaction with the interest of shareholders.

- Shareholders' rights

We will take special attention to anti-takeover mechanisms, respect of "one vote, one share" principle, level of disclosure threshold ownership.

- Social and environmental topics

We will take special attention to the level of disclosure of significant social and environmental risk factors, acknowledgment of the impact change on the business operating in high emitting sectors.

- Political donations and lobbying contributions

We will take special attention to the consistency of those payments with the company's sustainability strategy and alignment with long term interests of investors.

In any case, any voting decision will always be taken in the best interests of our clients.

4.3 Securities on Loan

Smart does not intend to engage in loaning securities. As such, this matter does not impact our Stewardship and Engagement Policy.

4.4 Share Blocking

Proxy voting in certain countries requires "share blocking". As a consequence, shares may not be sold during the period preceding a proxy vote. In that situation, we would weigh the benefit from voting those shares against the burden of being unable to trade for a certain period.

4.5 Conflicts of interest

We always seek to place the interests of our clients first and have internal policies in place to prevent any conflicts of interest between our client's interests and Smart's or its staff interests. In any case, we act as fiduciary duty and therefore act in the best interests of our clients.

4.6 Voting Services

We consider proxy voting as an integral part of our investment activity. As such, we do not intend to delegate the responsibility of proxy voting to an external voting service.