

Report on Stewardship and Engagement Policy

covering the calendar year 2021

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

Date: January 11th 2022

This report has been prepared in accordance with the article 1er sexies (1) 2. of the Law n°562 of August 1, 2019 implementing the Directive (EU) 2017/828 with regards to the encouragement of long-term shareholder engagement (the SRD II). It covers the Stewardship and Engagement of assets entrusted to Smart Private Managers (Luxembourg) S.A. by its clients through discretionary management mandates (including in the management of the SICAV Smart Value Investors).

1. General description of voting behaviour

a. *When have we voted?*

In 2020, Banque de Luxembourg, the largest custodian bank for our clients, partnered with Broadridge Financial Solutions (“Broadridge”) to implement a new voting platform allowing its clients to vote electronically at various General Assemblies. We were one of the first users of this technological solution as it allowed us:

- to significantly lower the costs of voting compared the manual paper-based solution previously in place which we deemed economically not efficient enough to be used,
- to vote and trace our voting decisions in a dematerialized way.

When we make the decision to vote or to refrain to vote, we mainly take into considerations three aspects:

- The possibility to vote using the Banque de Luxembourg/Broadridge platform. The platform allows us to vote in an economic and environmentally friendly way. We decided to refrain from voting when the General Assembly was not available through the platform as it would entail an intensive manual paper-based process and a large fee. For the same cost reasons, we did not vote at any other of our clients’ custodian banks,
- The trade-off fee/impact on performance. Using the Banque de Luxembourg/Broadridge platform entails a fee which is deducted from the performance of the assets we managed for our clients. As such, we have decided to only vote for clients which size we deem sufficient to consider the voting fee as negligible. Furthermore, voting can entail the blocking of the shares. As such, we can decide to refrain from voting (or decide to vote for only a fraction of the shares held) in order not to limit our ability to manage the assets optimally,
- The trade-off fee/impact on outcome. When deciding to vote at a General Assembly, we balance the need “to be heard” with the impact we can have on the vote. This means that we would be more inclined to vote at the General Assembly of companies for which we can vote for a higher proportion of the capital or for which we want to make our voice heard. On the contrary, we would be less inclined to vote if we consider the resolutions put forth as not of important nature.

During the calendar year 2021, we had the opportunity to vote at 37 General Assemblies of 34 companies through the cost-effective Banque de Luxembourg/Broadridge platform. We decided to cast our vote in 90% of the cases (i.e. we participated to 33 of those General Assemblies). In 5% of the cases, we refrained from voting as we deemed the resolutions as procedural in nature with no strategic

stake at play¹. In those cases, we considered that costs largely over-weighted the need to participate at the Assembly. In the other cases (5% of cases), we refrain from voting not to impair our ability to sell the security at short notice. In total, we voted on 590 resolutions.

b. How have we voted?

Our voting principles are described in the Stewardship and Engagement Policy available on our website². During the year 2021, we applied rigorously those principles when deciding how to vote at the various General Assemblies.

We decided to vote in favour of the proposed resolutions in 93%³ of the cases, to abstain in 1% of the cases and to vote against in 6% of the cases. We voted against the recommendations of the companies' management in 7% of the cases.

2. Explanation of the most significant votes

Considering our size, we consider the most significant votes as the ones where we decide to register a vote to voice our opposition to certain practices or projects i.e. where we decided to vote in a manner contrary to the recommendations of the Board. In 2021, this encompasses the following cases:

- We opposed Boards in voting against resolutions related to issuance of new shares in 10 different meetings. In most cases, those resolutions allowed the Board to issue equity shares without pre-emptive rights or grant, at its own discretion, new or existing shares. We understand that this kind of operations can be beneficial in some circumstances (e.g. Merger and Acquisition) and we understand that the companies had no short term plan to use these authorizations. However, we considered those resolutions as too broad, giving too much power to the Board and diluting the shareholders' power.
- We voted against resolutions authorizing political donations in 4 different meetings. In our analysis, we rely on the guidelines provided by the ICGN⁴. We consider that political donations, although legal in most jurisdictions, require particular attention and scrutiny by Boards and Investors, especially in the case of donations to political parties and individual candidates. It is of the utmost importance that both the Boards and the Investors understand the intent and business rationale for political donations. In the different resolutions proposed, we considered that this threshold of transparency was not met and therefore voted against the recommendations of the Boards of the different companies.
- In one case, we supported a resolution put forth by a Shareholder of a Company and opposed by the Board of Directors. The aim of the resolution was to lower the threshold a Shareholder represents to call a special shareowner meeting from 25% to 15%. We welcomed this initiative as it aimed at improving the control of shareholders on the Board of Directors without becoming too burdensome for the day-to-day activity (i.e. the shareholder wanting to call the meeting still needs to rally 15% of the shares of a 70 billion market capitalisation company, ensuring that such meeting is called only if needed and supported by the major shareholders).

¹ Those cases related to Irish companies quoted on the London Stock Exchange that needed to replace the CREST system with a system operated by Euroclear Bank SA/NV for the electronic settlement of trading of their shares. This change was needed as a consequence of the United Kingdom's departure from the European Union and did not involve the strategy of the company.

² http://www.smart-pm.eu/wp-content/uploads/Smart_Private_Managers_-_Current_Policy_Stewardship_and_Engagement.pdf

³ This high number can be explained by the fact that a large part of the resolutions is, in essence, more procedural such as giving power to carry out legal formalities or authorizing the Board to fix the remuneration of the Auditor.

⁴ ICGN Political Lobbying and Donations 2017

3. Use of Service Providers

As stated in our Stewardship and Engagement Policy, we consider proxy voting as an integral part of our investment activity. As such, Smart Private Managers (Luxembourg) S.A. has not used any service providers in the period under review and do not plan to use any in the foreseeable future.

4. Disclosures of how votes were casted in the general meetings of companies in which shares are held

Please refer to section 1.b. to have a statistical overview regarding how we casted the votes. Considering the size of assets managed by Smart Private Managers (Luxembourg) S.A. and the size of companies invested in, we consider the size of holdings as not significant enough to warrant a disclosure company by company.

5. Conflict of interest

Smart Private Managers (Luxembourg) S.A. considers that it did not face any conflict of interest in its duties related to Stewardship and Engagement in the period under review.