



# CREUTZ & PARTNERS

THE ART OF ASSET MANAGEMENT

## GUIDELINES ON ENGAGEMENT AND EXERCISING OF VOTING RIGHTS

### 1. SCOPE OF THE POLICY ON ENGAGEMENT AND THE EXERCISING OF VOTING RIGHTS

The policy on engagement and the exercising of voting rights of Creutz & Partners is divided into two areas:

#### 1) Engagement policy

As an asset manager as defined in Art. 1 (6) 4° of the modified law of 24 May 2011, Creutz & Partners is required to publish an engagement policy in accordance with Art. 1<sup>sexies</sup>. This engagement policy must describe how the following issues should be handled: (i) the exercise of shareholders rights regarding listed companies (hereinafter: »portfolio companies«), in particular within the scope of the investment strategy of Creutz & Partners, (ii) the monitoring of important matters of the portfolio companies, (iii) the exchange of views with the company organs and the stakeholders of the portfolio companies, (iv) cooperation with other shareholders, and (v) the handling of conflicts of interest.

At Creutz & Partners, this engagement policy is applied both in the role of the individual asset manager and in the role of the UCITS management company. It therefore relates to the entire investment assets managed by Creutz & Partners.

#### 2) Voting policy

As a management company as defined in Chapter 15 of the UCITS law of 17 December 2010, Creutz & Partners must make a voting policy available to the shareholders of the C&P Funds SICAV (the »C&P Funds«) in accordance with Art. 23 of CSSF regulation 10-4. This voting policy governs the exercise of voting rights held by C&P Funds based on the financial instruments held by it issued by companies. Within this scope, Creutz & Partners defines measures and procedures, in order to (i) monitor relevant events in the life of the company, (ii) ensure that the voting rights are exercised in accordance with the investment objectives and investment policy of C&P Funds, and (iii) prevent or manage conflicts of interest that arise from the exercise of voting rights.

This voting policy applies to all voting rights held by C&P Funds and is intended to preserve the exclusive interests of C&P Funds and its shareholders.

### 2. GOALS AND MEASURES OF CREUTZ & PARTNERS

Where Creutz & Partners deems it appropriate and/or necessary, a range of »engagement activities« are undertaken in the interest of the customers. This is done in on the one hand to influence the portfolio companies to improve their Corporate Governance practices, and on the other, to ensure a more long-term approach in the portfolio companies.

In this context, »engagement activities« are the following activities in relation to the portfolio companies, if relevant:

- monitoring;
- conducting dialogues;
- cooperation with other shareholders;
- communication with other stakeholders.

When conducting the above engagement activities, Creutz & Partners pursues the approach described in the Investment Policy of Creutz & Partners, including the integration of ESG aspects into the investment decision-making process.

For the areas in which Creutz & Partners is usually of the view that Creutz & Partners can influence the portfolio companies in order to improve their Corporate Governance practices and ensure a more long-term approach in the portfolio companies, Creutz & Partners has established six general principles which serve as an orientation framework for what Creutz & Partners in general intends to achieve in the interest of their customers through the implementation of the engagement activities listed above.

#### 1. Acting in the long-term interest of the shareholders

The overarching goal of the portfolio companies should be the creation of long-term corporate and shareholder value. The Corporate Governance framework of the portfolio companies should be designed in such a way that this goal is achieved. For example, the regulations and structures of the portfolio companies should focus the board of directors, the management and the staff on this goal. Furthermore, the board of directors and the management should set out a clear strategy on how to achieve this goal, taking into account all relevant factors and stakeholders.

#### 2. Preservation of the rights of all shareholders

All shareholders should have the opportunity to exercise their voting rights in relation to important matters of the portfolio companies. Matters that can be classified as important are, for example, decisions regarding the election, discharge and remuneration of members of the management or the board of directors, corporate actions (capital increase, share repurchase, appropriation of profits, etc.), as well as mergers and acquisitions.

Portfolio companies should ensure that the rights of all shareholders are protected, and that the equal treatment of all shareholders is guaranteed, in particular by adhering to the principle of »one share, one vote«. When issuing new shares, care should be taken to minimise dilution of existing shareholders. No anti-takeover measures should be taken.

#### 3. Securing an efficient, independent board structure

To enable efficient supervision of the management, the board of directors of the portfolio companies and its committees should comprise an appropriate number of independent members.

The members of the board of directors should have the necessary qualifications and level of commitment in order to fulfil the mandate of a board member and to improve the efficiency of the board.

In addition, the members of the board of directors should be selected in a way to reflect an appropriate degree of diversity. Finally, a formal evaluation of the board of directors, regular board meetings and succession plans should be in place.



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#### 4. Alignment of the staff incentive structure with the long-term interests of the shareholders

The portfolio company's compensation structure should be aligned with the long-term interests of the shareholders whilst not limiting the company's ability to attract and retain talented staff. The compensation schemes should be clearly and fully disclosed to the shareholders.

#### 5. Timely, accurate and appropriate disclosure of information to the general public

Portfolio companies should ensure that disclosure of financial and operational results, ownership and performance against relevant ESG metrics is timely, accurate and appropriate. The financial statements should be audited annually by independent external auditors on behalf of the shareholders. External auditors should not take on too extensive advisory roles with the company they are auditing.

#### 6. Securing social, ecological and ethical responsibility

In the long-term interest of the shareholders, portfolio companies are expected to be managed in a responsible manner towards vis-à-vis all stakeholders, so that relevant ethical and ESG standards are met. The portfolio companies should provide comprehensive information about relevant key figures such as their labour standards, their commitment to combating climate change and their carbon emissions. As far as is possible, this information should be verifiable. In assessing these aspects, external ESG data providers are used as an additional, secondary source for evaluating the target companies.

In summary, Creutz & Partners believes that the integration of engagement activities into investment strategies can contribute to the achievement of sustainable and long-term revenues and to shareholder engagement in the interest of the customers.

### **3. ENGAGEMENT – CREUTZ & PARTNERS AS AN ASSET MANAGER WITHIN THE SCOPE OF INDIVIDUALLY ISSUED MANDATES**

The obligation for Creutz & Partners as an asset manager to publish an engagement policy, in which the engagement of Creutz & Partners in the portfolio companies is described, is based on the concept that asset managers are often significant shareholders of listed companies, and that they (can) therefore play an important role with regard to Corporate Governance.

Creutz & Partners provides the service of discretionary asset management on the basis of individually granted mandates from its customers. These are therefore individual authorisations to act on behalf of and for the account of the customers, and thus to increase the value of the managed assets in the long term. The asset management does not require Creutz & Partners to become (trustee) owners of the managed securities. Rather, the customers themselves remain owners of the assets held in custody at their depository bank. Thus, the customers can exercise their shareholders' rights in the portfolio companies directly themselves or via their depository bank.

The customers are informed about the shareholders' rights arising from their securities by their depository bank. As »intermediaries« under the Shareholders' Rights Directive, it is the depository banks that support the customers in exercising their shareholders' rights, and which must enable these rights to be exercised, particularly by means of the provision of the corresponding information (»Corporate actions«).

In this constellation, the transparency rules of the Shareholders' Rights Directive therefore do not apply to Creutz & Partners as the asset manager and agent in the context of individual mandates.

Nevertheless, the information to be disclosed according to the Shareholders' Rights Directive is as follows:

1. Creutz & Partners does not exercise any shareholders' rights as defined in Art. 1, (1) of the amended law of 24.05.2011, which are based on a participation in a listed portfolio company. In particular, no rights related to the general meetings of public limited companies (including voting rights) are exercised. The right to a share in profits as well as subscription rights are exercised for the customers in consultation with them.
2. The monitoring of important matters relating to the portfolio companies is carried out by reviewing the statutory reporting of these companies in financial reports as well as ad-hoc announcements. is carried out by reviewing the statutory reporting of these companies in financial reports as well as ad hoc announcements.
3. There is no direct exchange of views with the corporate bodies and stakeholders of the portfolio companies.
4. There is no cooperation with other shareholders of the portfolio companies.
5. Should conflicts of interest arise, they are disclosed to the affected persons in accordance with the statutory provisions, and a procedure for further action is clarified with them.
6. There is no annual publication of the implementation of the engagement policy and the voting behaviour as defined in Art. 1*sexies*, (1), 2. since the corresponding rights are not exercised.

### **4. ENGAGEMENT – CREUTZ & PARTNERS AS THE MANAGEMENT COMPANY OF C&P FUNDS**

In its capacity as management company of C&P Funds, the transparency obligations of the Shareholders' Rights Directive apply to Creutz & Partners, as C&P Funds is the legal owner of the securities of the portfolio companies. Shareholders, on the other hand, hold shares in C&P Funds itself and not in the companies in which C&P Funds invests.

As a responsible management company, Creutz & Partners generally attaches importance to engagement in the portfolio companies through the targeted exercise of shareholders' rights (including voting rights) in the context of the investment strategies of C&P Funds.



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## a) Exercise of shareholders' rights, in particular within the scope of the investment strategy

### *(i) Exercise of voting rights*

The voting rights held by C&P Funds on the basis of the shares held by it and issued by the portfolio companies are exercised in a responsible manner. The voting rights are exercised for shares of national and international listed companies, unless there are significant obstacles to exercising these rights, such as share blocking or extensive proxy requirements.

The »General declarations regarding the exercise of voting rights« at general meetings of the portfolio companies, as described under point 5 a), sets out Creutz & Partners' principles for exercising shareholder voting rights on behalf of C&P Funds, according to which the investment manager responsible for the respective sub-fund (Creutz & Partners for C&P Funds ClassiX; Vector Asset Management S.A (»Vector«) for C&P Funds QuantiX) acts as shareholder representative.

### *(ii) Exercise of other shareholders' rights*

Other shareholder rights are also exercised in the best interests of the C&P Funds and its investors.

The following principles relating to the other shareholders' rights should be understood as what Creutz & Partners and C&P Funds consider as best practices.

- Equal treatment of shareholders (no preferential treatment of any group of shareholders). The executive boards of the portfolio companies must treat all shareholders equally and ensure that the rights of all shareholders, including minority and foreign shareholders, are protected.
- Unequal voting rights. A company's ordinary shares should have one vote per share. The portfolio companies must guarantee the effective exercise of the voting rights of the shareholders.
- Access to voting. The right and the ability to vote at shareholders meetings depends in part on the adequacy of the voting system. Portfolio companies should consider initiatives to expand voting opportunities to include the secure use of telecommunications and other electronic channels.
- Shareholder participation in corporate governance. Shareholders should have the right to participate in important governance decisions, including the right to nominate, appoint and discharge directors and the external auditor, and the right to approve or disapprove decisions relating to important matters.
- Right of shareholders to call a general meeting. Each portfolio company shall grant the holders of a certain portion of the outstanding shares of a company, not exceeding ten percent (10%) the right to call a shareholder meeting in order to conduct the legitimate business of the company.
- Right to information. The shareholders are granted the right to ask the board of directors, the management and the external auditor questions at the shareholders' meetings.
- Disclosure of voting results. Each vote (regardless of whether the vote has been cast in person or in absentia) must have equal value and the meeting procedures must ensure that the votes are properly counted and recorded. Companies must announce the result of a vote in due time.

## b) Monitoring of important matters of the portfolio companies

Within the framework of the investment processes implemented for the sub-funds of C&P Funds, i.e. according to which criteria shares are acquired, held and sold, there is ongoing and careful monitoring of the development of these shares or the stock corporations behind them. The analysis of the portfolio companies refers to the following aspects, inter alia:

- corporate strategy,
- financial and non-financial results
- financial and non-financial risks,
- capital structure,
- social and environmental impact,
- efficient Corporate Governance,
- composition of the executive board,
- remuneration practices.

Creutz & Partners monitors the important matters of the portfolio companies through the responsible investment manager. This is done by, inter alia, analysing the financial and non-financial reports of these companies, examining the published information on their websites, and assessing the information provided in data sources of specialist news services and independent research providers. Furthermore, other publications (e.g. newspapers, financial journals or academic publications) may also contribute to Creutz & Partners' views on the company's corporate governance framework or environmental impact and best industry practices. ESG matters are also monitored by Creutz & Partners as part of its ongoing portfolio management activities.

In addition, Creutz & Partners, through the investment managers, tracks certain corporate actions of the portfolio companies (e.g. capital increase, squeeze out, share buyback, merger/acquisition) through an information channel of C&P Fund's depository.

The available information is discussed on an ongoing basis in the investment committees of the C&P Funds' sub-funds and early action is taken in order to preserve the interests of the respective sub-fund and its investors.

## c) Communication with the company bodies and stakeholders of the portfolio companies

Voting rights are exercised on the basis of in-house analysis results and for the purpose of long-term performance of C&P Funds as well as to preserve the interests of the shareholders. Thereby Creutz & Partners as management company of the C&P Funds as well as the investment managers refrain from an active exchange with the corporate bodies and stakeholders of the portfolio companies.



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### d) Cooperation with other shareholders

Voting rights are exercised on the basis of in-house analysis results and for the purpose of long-term performance of C&P Funds as well as to preserve the interests of the shareholders. Thereby Creutz & Partners as management company of the C&P Funds as well as the investment managers refrain from an active exchange with other asset managers and shareholders of the portfolio companies.

### e) Handling of conflicts of interest

Creutz & Partners as management company of the C&P Funds and the investment managers are obliged to act in the best interest of the shareholders of C&P Funds. In the course of the engagement (including the exercise of voting rights and interaction with the portfolio companies), internal and external conflicts of interest may arise. For these cases, Creutz & Partners and Vector have each implemented their own conflict of interest policy which ensures that conflicts of interest are avoided or unavoidable conflicts of interest are handled appropriately and disclosed in a conflict of interest register.

## 5. VOTING – EXERCISE OF VOTING RIGHTS OF C&P FUNDS

This voting policy governs the exercise of voting rights held by C&P Funds based on the financial instruments held by it and issued by companies.

As the management company of C&P Funds, Creutz & Partners assumes that the shareholders of C&P Funds are in particular pursuing a long-term increase in the company's value. The primary objective of Creutz & Partners is therefore to preserve and increase the value of the assets of C&P Funds and its investors.

In this context, the C&P Funds sub-funds are also managed taking into account ESG factors, since ESG issues can influence the investment risk and the revenue. The investment managers of the sub-funds take ESG risk factors into account as part of a comprehensive investment and risk management process, in order to achieve a good risk-revenue characteristic, and thus ultimately to achieve positive revenues for the sub-funds and their investors. With regard to possible impact on investment performance, sustainability risks are thus considered to be part of the general price risk. In this way, using a comprehensive analysis process, a decision is made by the investment managers of the respective sub-fund on a case-by-case basis as to whether a company creates a positive impression and whether an investment is justified. Here, the ESG factors are also included in the consideration.

In summary, Creutz & Partners therefore generally supports all measures that increase the value of a company in interest of the shareholders of C&P Funds in the long term and sustainably and votes against measures that run against to this objective.

### a) Principle declaration on the exercise of voting rights

The existing voting rights in a portfolio company shall be exercised under the following conditions if<sup>1</sup>:

- (1) it can be assumed that participation in the voting process of a portfolio company may have a significant influence on the voting result. Significant influence is presumed if the C&P Funds holds in total more than 3 % of the voting share capital of the portfolio company whose votes are exercised;
- (2) the financial instruments of a portfolio company/an issuer held by C&P Funds account for more than 5 % of the assets of the fund;
- (3) it can be assumed that the portfolio company in question would like to make a significant change to its strategy.

Indications of a significant change in strategy are:

- i) a significant change concerning the majority shareholdings of the capital owners in the company;
- ii) measures relating to the merger with another company or to the spin-off of company parts leading to a significant change in the company;
- iii) substantial restructuring measures at company level;
- iv) significant changes in the company's management;
- v) decisions that (could) have a negative impact on the sustainability of the company and/or (could) increase sustainability risks.

If it is in the interest of the respective sub-fund of C&P Funds and/or its shareholders, the responsible investment manager may decide to exercise the voting rights in individual cases even if one or more of these conditions are not met. In particular, this may be the case if critical issues or significant agenda items are up for decision that could have a lasting impact on the value of the investment.

In addition, the investment manager will perform a cost-benefit analysis when exercising voting rights in the event that one or more of these conditions are not met. The expense associated with the exercise of voting rights must be in an economically justifiable ratio. If, for example, the exercise of voting rights is associated with disproportionately high effort or disproportionately high costs, such voting rights will not be exercised.

### b) Organisational measures

The fund risk manager is responsible for monitoring the criteria that lead to the execution of voting rights. The manager monitors C&P Funds to ascertain whether or not the features (1) and (2) described in item 5. a) apply to one or more of the financial instruments held by C&P Funds<sup>2</sup>. If these features apply, the fund risk manager then monitors the financial calendar of the issuer in question (or contacts their Investor Relations division) with regard to the dates on which an execution of voting rights is planned (in particular annual shareholders' meetings) and evaluates the official agenda items. If a vote regarding a significant change in strategy as defined by item 5. a) (3) can be identified from this, the manager informs the investment manager of the respective sub-fund regarding the forthcoming binding vote. In all other cases, they document their reasons for the exclusion of such a scheduled strategy change and informs the responsible investment manager accordingly.

<sup>1</sup> These are cumulative conditions.

<sup>2</sup> The fund risk manager checks once a month whether the limits defined in 5. a) (1) and (2) have been exceeded.



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The investment manager responsible for the respective sub-fund shall be the decision-making body for voting. He is also responsible for obtaining the documents and information necessary for voting. In addition, the investment manager will contact the depository bank in order to obtain or being provided with the necessary documentation for the actual voting rights. Furthermore, the investment manager ensures that the voting rights are exercised in due time.

The investment manager responsible for the respective sub-fund shall make its voting decision taking into account all provisions governed by this policy. The applicable rules for the identification of and dealing with conflicts of interest must always be observed.

The investment manager documents its voting decision adequately and in detail in an appropriate decision documentation. He informs the investment committee of the respective sub-fund, and a copy is to be send to the fund risk manager, in writing of his voting decision.

**c) Actual exercise of voting rights**

The voting rights are exercised in real terms by the responsible investment manager (Creutz & Partners for the C&P Funds ClassiX; Vector Asset Management S.A. («Vector») for the C&P Funds QuantiX). In exceptional cases, the actual exercise of the voting rights can be delegated to another person. This type of delegation must be recorded in the circular resolution or meeting protocol related to the voting procedure.

If possible, the voting right is executed by letter or via the depository bank. If participation in the voting procedure entails a disproportionately high degree of effort or excessive costs for C&P Funds, Creutz & Partners reserves the right to refrain from participating in the procedure. Such cases must be justified and documented internally by the responsible investment manager.

The fund risk manager is informed in writing by the responsible investment manager that the vote has actually been cast.

**d) Procedure for identifying, avoiding and settling conflicts of interest that may impair the free exercise of voting rights**

In order to counteract possible conflicts of interest, Creutz & Partners and Vector have introduced corresponding procedures and a conflict of interest policy, which are intended to ensure that conflicts of interest to not arise, or are detected at an early stage and can thus be avoided. These also apply to the exercise of voting rights and the exercise of other shareholder rights (participation) regulated in this policy.

**e) Voting behaviour**

The voting behaviour described below applies in the case of participation in voting procedures. Agenda items presented for voting that are not included in the list below are evaluated and decided upon, taking into account the basic principles and regulations set down in this voting policy.

AGENDA ITEM	VOTE – IF:	REJECTION – IF
Appointment of managing directors and members of control and supervisory bodies	<ul style="list-style-type: none"> <li>• Insufficient guarantee of independence and separation of roles</li> <li>• Limited duration of the mandate</li> </ul>	<ul style="list-style-type: none"> <li>• Existence of significant conflicts of interest</li> <li>• Inadequate information (experience, skills, reputation, etc.) with regard to the persons in question</li> <li>• Votes can only be case for a group of people</li> </ul>
Corporate actions (e.g. capital increase, share buyback, profit appropriation)	<ul style="list-style-type: none"> <li>• The necessity and selected form of the capital measure preserves the interest of existing shareholders and does not lead to large-scale inequality</li> </ul>	<ul style="list-style-type: none"> <li>• The lack of strategic reasons</li> <li>• Disproportionate or without a specific reason</li> </ul>
Mergers and spin-offs, restructuring of the company	<ul style="list-style-type: none"> <li>• There is a clear commercial and strategic interest</li> <li>• The measure secure or increases the long-term corporate value</li> </ul>	<ul style="list-style-type: none"> <li>• Key corporate guidelines are disadvantageously influenced</li> <li>• Financial impact is not explained or a liquidity bottleneck can be anticipated</li> <li>• The measure does not conform to the standard market conditions</li> </ul>
Amendment of the statutes	<ul style="list-style-type: none"> <li>• There is a legal and/or economic necessity</li> <li>• The long-term interests of the company and all its shareholders are preserved</li> </ul>	<ul style="list-style-type: none"> <li>• Curtailment of the voting rights of the shareholders</li> </ul>
Measures of significant ESG-relevance in relation to the business model or the corporate governance	<ul style="list-style-type: none"> <li>• There is a legal and/or economic necessity</li> <li>• The long-term interests of the company and all its shareholders are preserved</li> <li>• A positive contribution to sustainability and the attainment of ESG goals is likely</li> </ul>	<ul style="list-style-type: none"> <li>• Curtailment of the voting rights of the shareholders</li> <li>• Key corporate guidelines are disadvantageously influenced</li> <li>• A negative impact on sustainability and ESG factors is likely</li> </ul>

In justified cases, the investment manager may deviate from the above voting procedure or abstain from voting. If a deviating decision has been made, the investment manager must make special reference to this circumstance in the resolution documentation. The decision to abstain from voting must also be justified and documented by the investment manager. With regard to voting behaviour, the investment manager will take into account local circumstances and practices wherever possible.



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**f) Controls**

Control prior to the exercise of voting rights

The responsible investment manager shall ensure that the decisions taken by him with regard to the exercise of voting rights comply with the provisions of this policy. In the event of deviations, the investment manager shall sufficiently justify and document them in the decision documentation. The investment manager shall forward a copy thereof to the fund risk manager.

Control after the exercise of voting rights

The fund risk manager checks whether the actual exercise of the voting rights by the responsible investment manager has taken place in accordance with the specifications of the shareholder participation and the exercising of voting rights policy. He shall document this on the copy of the resolution documentation received from the investment manager.

**6. REPORTING OF THE IMPLEMENTATION OF THE ENGAGEMENT AND VOTING POLICY**

Once a year, the fund risk manager, together with the Executive Director for Compliance and Risk Management, shall draw up a summary report on the actual implementation of the policy on engagement and the exercising of voting rights during the previous financial year. This contains (i) a general description of the voting behaviour of Creutz & Partners, (ii) an explanation on the most important votes, (iii) any recourse to services of voting right advisers, and (iv) the manner in which Creutz & Partners has cast its votes in annual meetings of portfolio companies.