

Engagement and Voting policy

Introduction

This Engagement and Voting Policy (the “**Policy**”) outlines the general principles for how engagement activities are integrated in the investment strategy for funds where Zadig Asset Management S.A. (“**Zadig**”) acts as UCITS management company (“**UCITS Management Company**”) or alternative investment fund manager (“**AIFM**”).

Zadig is committed to investing and engaging with companies showing the highest Governance standard. As part of its investment process, its research and investment team organise hundreds of companies contact per year which are opportunities to assess Environmental, Social and Governance (“**ESG**”) standards and engage with senior management.

Zadig is a signatory of the UN Principles for Responsible Investment (“**PRI**”) since 2015. The yearly PRI reports are available on UNPRI website.

Since 2018, Zadig has formalised its ESG integration approach with a systematic integration of ESG indicators in the valuation of companies and portfolio construction as well as detailed investors reporting.

As active investors frequently meet management of listed companies, it is our duty to engage with companies to encourage best ESG practice standards and vote at all Annual General Meetings (“**AGM(s)**”).

Scope

All Equity strategies and funds managed by Zadig (whether Zadig acts as UCITS Management Company, AIFM or as a delegated portfolio manager) are subject to this Policy.

I. Pre-investment

In the pre-investment stage, Zadig will typically conduct thorough due diligence work to identify and evaluate investment opportunities and associated risks, especially for illiquid assets. Pre-acquisition due diligence work usually includes engaging directly with the management of the target company and appointing third-party providers such as MSCI and Vigeo Eiris specialised in ESG and sustainability research (the “**ESG providers**”).

When engaging with companies, we have the opportunity to form our own views over the positive or negative performance of companies on ESG and sustainability. This analysis is described in great details in our ESG and sustainability policy.

The amount of due diligence is usually higher when weaknesses have been identified by third party providers or our own research team, however, we will also engage and sometimes challenge claims made by companies on positive ESG and sustainability performance.

II. Post-investment

Monitoring

Following the investment where there were certain material risks identified during due diligence process, including potentially on ESG topics, Zadig will typically monitor progress of such investment and mitigation of those risks. Monitoring activities may include engagement with the management for the actions to be taken during the 100 days post-acquisition, or supporting the establishment of remedial measures.

Dialogue / Meetings

Our research and investment team frequently meets with management of companies in the portfolio or potential candidates. These companies contacts include financial matters as well as ESG and sustainability topics.

We are advocate of reasonable transparency, and when we feel companies could do more, we encourage them to improve their disclosure on ESG and sustainability issues.

While we acknowledge that Zadig is not as large as other players in the industry, history shows us that the concentration of our portfolios is a strength for active engagement with the management of companies, in particular those in the portfolio. Indeed, while management of companies appreciate large investors matter due to their size, they also value the trust we placed in them by investing a large part of our clients’ assets in their company, an act of support that generally triggers a positive and constructive discussion in particular regarding the most sensitive financial and extra-financial matters.

Voting at AGMs

Before every AGMs of companies in our portfolio, we analyse resolutions one by one and exercise our voting right in the best interest of the funds’ shareholders and clients.



Our third-party provider, ISS, is used for proxy voting and provides recommendations and research which we may choose not to follow, on a case by case basis. We may choose to engage with the companies to explain or discuss our votes, and sometimes liaise with other investors to discuss sensitive matters.

The services covered by ISS are as follows:

- Zadig has access to the ISS Proxy Exchange web-based voting and research platform to access vote recommendations, research reports;
- On the platform, Zadig is able to execute voting instructions for every meeting of a company in the portfolios; and
- ISS implements the voting instructions by gathering all the required information and sending final instructions to the custodians.

“One share – one vote” principle

We believe in equal treatment of shareholders and in the “one share-one vote” principle. We shall therefore vote against resolutions that entail the creation of non-voting shares, preference shares or shares carrying multiple voting rights.

We shall also oppose any tentative change of legal structure to a Limited Joint-Stock Partnership, KGaA (Kommanditgesellschaft) in Germany or Société en commandite par actions in France.

Separation of powers

We favour the separation of the Chairperson and CEO role and shall vote accordingly. The appointment of a lead independent director with clear duties can be a temporary solution when the CEO also acts as Chairperson or vice versa.

Board composition Leadership and independence

We shall vote to ensure a sufficient mix of directors with relevant knowledge, independence, competence, industry experience and diversity of perspectives. We also pay special attention to potential conflict of interests and over-boarded directors that may result in low board meeting attendance rates. Finally, we believe directors should be selected so that the board reflects appropriate diversity.

Management remuneration and employee incentive schemes

Management remuneration policies must be transparent on amounts, criteria used, timeframe and will be analysed on a case by case basis. Zadig strongly supports the “Say-on-pay” principle and commits to making its voice heard on the matter.

As a general rule we shall vote against incentive schemes based on adjusted figures (such as adjusted EPS) on which management teams have a significant degree of freedom.

We like management teams to be aligned with shareholders and shall therefore favour long term incentive plans based on shares rather than stock-options.

Convinced that taking environmental and social considerations into account leads to better risk assessment we shall vote for the inclusion of environmental and social targets into managements’ incentives.

When it comes to broader employee shareholding, we believe it helps build a strong corporate culture and will generally vote for as long as dilution is limited.

Poison pills and anti-takeover defences

We are convinced that a company’s owners should have the opportunity to express their views in the event of a takeover, on a case by case basis. We shall therefore vote against issuance of shares during a takeover, authorisations of warrants issuance during a takeover, or any other form of corporate action that do not exclude takeover periods.

Shareholder remuneration

We shall vote against dividend distribution proposals if it is financed in majority through debt. We shall generally vote for share buybacks as long as the financial situation allows for it.

Capital increases

We shall vote against capital increases without pre-emptive rights, conducted through private placements or as compensation for unspecified contributions in kind. Capital increases with pre-emptive rights will be analysed on a case-by-case basis.

Combined resolutions

We are against the practice of bundling several decisions into one resolution and believe shareholders should be able to express their opinion on all resolutions individually.

In accordance with the provisions of the Directive (EU) 2017/828 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement as implemented in Luxembourg on 10th July 2019 (“**SRD II**”), Zadig shall, on an annual basis, publicly disclose how the engagement policy has been implemented, including a general description of voting behaviour, an explanation of the most significant votes and the use of the services of proxy advisors.

Dialogue / Meetings

The engagement activity is documented internally as part of the investment case. When a significant event arises, a formal report is included in the regular ESG and Sustainability presentation made available to investors.

Voting at AGMs

A snapshot of recent voting activity is included in the regular ESG and Sustainability presentation made available to investors, the details of each votes being made available to investors on the website.