



## 1. Introduction

Hauck & Aufhäuser Fund Services S.A. (hereinafter HAFS or Management Company) is a management company licensed by the Luxembourg supervisory authority *Commission de Surveillance du Secteur Financier* in accordance with Chapter 15 of the Luxembourg Law of December 17, 2010 on undertakings for collective investment (hereinafter UCI Law) and is also licensed as an alternative investment fund manager (hereinafter AIFM) in accordance with the Luxembourg Law of July 12, 2013 on alternative investment fund managers (hereinafter AIFM Law).

As a management company or AIFM, HAFS is responsible for collective portfolio management in accordance with Annex II of the UCI Act and Annex I of the AIFM Act. In this context, HAFS is generally also responsible for exercising the portfolio-specific voting rights for the investment funds it manages; in the case of the management of investment companies, insofar as it has been commissioned to do so by the latter.

This document is intended to provide shareholders/investors with an overview of how and according to which standards HAFS implements the requirements pursuant to Article 3 (g) (1) a) of the Shareholders' Rights Directive (hereinafter SRD) 2007/36/EC, as last amended by Directive 2014/59/EU of May 15, 2014. In addition, the relevant provisions of the Luxembourg law of August 1, 2019 amending the law of May 24, 2011 on the exercise of certain rights of shareholders at general meetings of listed companies and implementing Directive 2007/36/EC of the

European Parliament and of the Council of July 11, 2007 on the exercise of certain rights of shareholders in listed companies are taken into account. This Engagement Policy is reviewed and updated regularly, but at least annually. A review is also carried out if this is necessary due to changes in the principles set out in this policy, as well as in the event of relevant regulatory changes.

## 2. Subject of the Engagement Policy

The Engagement Policy provides guidance on participation activities under the ARR. The scope of this policy covers the exercise of certain rights associated with voting shares of the managed investment funds and investment companies, in their role as shareholders, in connection with general meetings of companies that have their registered office in a member state of the European Union and whose shares are admitted to trading on a regulated market located or operating in a member state of the European Union (hereinafter relevant companies).

The engagement process of HAFS can extend to the analysis, monitoring, participation and voting behavior of the relevant companies described above. Aspects of the strategy and the financial and non-financial performance of the relevant companies are also taken into account.

## 3. HAFS as a management company - possible scenarios

In its function as a management company/AIFM for investment funds and investment companies, HAFS sees itself as a specialist and competent partner for the design and administration of individual and complex fund structures. Its unique selling point

is a complete and high-quality range of services characterized by independence.

As the management company/AIFM, HAFS is in principle responsible for performing the portfolio management function for the investment funds it manages and, in accordance with the corresponding mandate, for the investment companies it manages.

In principle, the portfolio management function of the investment funds or investment companies can be structured in accordance with the following models:

- (i) the portfolio management function is performed by the management company/ the AIFM itself (with/without the support of an investment advisor);
- (ii) the portfolio management function is delegated to a qualified third party.

**Explanation of the resulting service models and the associated impact on Engagement Policy:**

### **3.1. Involvement of an investment advisor/ voting rights advisor**

Within Model 3 (i) (involvement of an investment advisor/voting rights advisor), HAFS itself performs the portfolio management function for the investment funds and investment companies it manages. It may be supported in this by investment advisors or voting rights advisors mandated by it. In cases in which an investment advisor is called in to support the portfolio management function of the managed investment fund(s)/investment company, HAFS makes use of the services of a proxy advisor who makes a recommendation for the exercise of voting rights. The involvement of a voting rights advisor is intended to ensure that an appropriate analysis of the relevant companies is carried out and that participation rights are exercised in the interests of sustainable and positive development. The management company/

AIFM is not bound by the proposals of the investment advisor or the proposals of the proxy advisor.

Proxy advisors are subject to the ARR and ensure in particular that they have implemented suitable procedures to ensure the quality of their research, advice and voting recommendations, that their employees are sufficiently qualified and that all legal, regulatory and company-specific conditions are taken into account.

### **3.2. Delegated portfolio managers**

Also with regard to model 3 (ii) (delegation of the portfolio management function to a third party), the right to exercise voting rights remains with HAFS in its function as management company/AIFM of investment funds (in principle due to legal allocation) and investment companies (by delegation by the Board of Directors). In the case of investment funds, the delegated portfolio manager is not permanently instructed to exercise voting rights without being bound by instructions.

If the permanent exercise of voting rights without being bound by instructions is to be transferred to a delegated/external portfolio manager or other third party in the case of investment companies, this requires an express contractual agreement with the consequence that all voting rights and all associated reporting obligations are transferred to the delegated/external portfolio manager or other third party.

The respective delegated portfolio managers can be found in the corresponding sales prospectuses/issue documents of the investment fund(s)/investment company(ies) concerned.

## **4. Engagement activities**

HAFS manages its investment funds and investment companies on behalf of institutional investors/shareholders, asset managers and family offices, among others. As described in section 3, HAFS is supported by

investment advisors in the internal performance of the portfolio management function or works together with delegated portfolio managers, whereby various investment strategies may be used. The extent to which individual aspects of this engagement policy are taken into account in the managed investment funds/investment companies depends on various factors. Examples (not exhaustive) can be given here:

- What is the investment strategy of the investment fund/investment company?
- How is the portfolio management function structured, i.e. delegated portfolio manager vs. investment advisor? Are there relevant companies in the portfolio of the investment fund/investment company?
- How important is the holding in the relevant company for the investment fund/investment company in terms of the proportion of the fund portfolio and further performance prospects?
- Are there any relevant engagement topics with regard to the investment strategy of the investment fund/investment company?

The exercise of voting rights is not mandatory, which is why HAFS can also refrain from doing so. In this case, the comply-or-explain *mechanism* pursuant to Article 4 of the Act of August 1, 2019, Article 3 (g) para. 1 a) ARR applies, according to which HAFS must justify the non-exercise of voting rights.

Further information on the exercise of voting rights can be found in the relevant principles of the voting policy of HAFS on our homepage [www.hauck-aufhaeuser.com](http://www.hauck-aufhaeuser.com) in the section "Legal information / Investor protection".

#### 4.1 Monitoring of relevant companies

HAFS's monitoring activities and measures can essentially be divided into two categories:

- (i) Monitoring activities in connection with financial aspects (direct and indirect); and
- (ii) Monitoring activities in connection with non-financial aspects.

Various tools are used to carry out the relevant monitoring activities, e.g:

- Bloomberg for financial information and the general development of assets. It is also

possible to retrieve non-financial information via Bloomberg;

- For the purpose of monitoring various governance aspects, relevant compliance programs are used to monitor any risks related to money laundering and terrorist financing on an ongoing basis. money laundering and terrorist financing on an ongoing basis;
- with the help of an ESG data provider, primarily non-financial aspects are assessed and monitored, and
- Internal analyses are substantiated and supported by the addition of a voting rights consultant.

The material aspects of monitoring may include the following elements of the relevant company:

#### ■ Management Board/Supervisory Board/ Board of Directors

- Responsible management and control of the company geared towards long-term value creation are in the interests of its shareholders - the composition, activities and remuneration of the executive bodies should reflect this.

#### ■ Capital structure, capital measures and share buy-backs

- Capital measures and share buy-backs are in the interests of shareholders if they increase the company's long-term prospects of success.

#### ■ Appropriation of profits

- The distribution policy should be in line with the long-term corporate strategy and be appropriate.

#### ■ Auditor

- The annual financial statements are intended to give a true and fair view of the net assets, financial position and results of operations of the company.

#### ■ Mergers and acquisitions

- Mergers and acquisitions are only in the interests of shareholders if they are in line with the long-term corporate strategy.

#### ■ Shareholder interests

- Each individual voting share should in principle carry the same voting rights ("one share - one vote").

#### ■ Non-financial performance and risks such as social and environmental impacts

- HAFS is convinced that non-financial aspects can have a significant long-term impact on a company's value development and thus on its key financial figures. For example, social or environmental aspects can have a material impact on the operating business, on the value of the company and ultimately on its continued existence. Companies with low sustainability standards are potentially more susceptible to reputational, regulatory and litigation risks.

Information from an ESG data provider is used primarily for the consideration of non-financial aspects. In this context, HAFS receives information on a wide range of different ESG aspects and evaluates them systematically. This ensures a minimum standard and takes sustainability risks into account.

#### 4.2 Engagement in relevant companies

Constructive engagement in relevant companies is important in order to influence the decisions of the relevant company in the interests of the investors/shareholders of the managed investment funds and investment companies.

If necessary, HAFS enters into an exchange of opinions with the relevant company itself or by commissioning a third party. The most important aspects of cooperation include

- **Exercising voting rights:** The most important factor in exercising company-related influence is the exercise of voting rights. HAFS can draw on the support of a voting rights advisor when analyzing and making decisions on voting behavior. In this context, we refer in particular to our voting policy, which you can find on our homepage [www.hauck-aufhaeuser.com](http://www.hauck-aufhaeuser.com) in the "Legal information / Investor protection" section.
- **Collaboration with other investors/shareholders:** The bundling of voting rights in the form of collaboration with other investors/shareholders (*collaborative engagement*) can be useful

for certain issues. If such cooperation appears promising in the interests of the investors/shareholders, HAFS may make use of this option.

- **Dialogue management:** If deemed relevant, HAFS may enter into direct dialog, usually between the management teams of the relevant company and the responsible portfolio management or the management company/AIFM, which have the expertise with regard to the general investment strategy. These dialogs may include relevant topics, e.g: Business strategies, corporate governance structures, compliance & risk management, changes in capital structure, remuneration issues and socio-environmental risks.

In order to avoid potential conflicts of interest to the detriment of the investors/shareholders of the investment funds/investment companies managed when exercising this engagement policy, HAFS has taken various organizational measures and published these in its principles for dealing with conflicts of interest. These can be found on our homepage [www.hauck-aufhaeuser.com](http://www.hauck-aufhaeuser.com) under "Legal information / Investor protection".

### 5. Transparency in the implementation of the engagement policy

In accordance with Art. 3 (g) (b) ARR, an annual engagement report is prepared and published on the HAFS website [www.hauck-aufhaeuser.com](http://www.hauck-aufhaeuser.com).

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