

Engagement Policy

September 2020

Under obligations arising from the revised Shareholder Rights Directive (EU 2017/828) (“SRD II”), a firm which trades shares on regulated and comparable markets, is required to either develop and publicly disclose an engagement policy as prescribed in COBS 2.2B.6R or disclose a clear and reasoned explanation of why it has chosen not to do so.

Heptagon (the “Firm”) has elected to disclose its engagement policy as set out below. Further, the Firm is also required to further disclose on an annual basis how the engagement policy has been implemented in a way that meets the requirements in COBS 2.2B.7R. The Firm publishes its annual disclosure related to the engagement policy implementation on its website. Further disclosures to institutional investors will be made available on request.

1. The role of shareholder engagement in Heptagon’s Investment Strategy

As active investors, the Firm engages with investee and universe companies. Whilst each investment team manage their portfolios according to their own specific expertise, strategy and convictions, the Portfolio Managers conduct their own primary research that includes extensive due diligence with the aim of identifying drivers that create long-term sustainable shareholder value. Ongoing shareholder engagement with investee and universe companies is a key aspect of the Firm’s investment process.

2. Approach to ongoing monitoring of investee companies

Strategy

Ongoing analysis of possible issues with investee companies may include, amongst other factors, business structure and strategy, performance, capital structures, management, as well as internal controls and risk management. Should concerns with investee companies be identified, the Portfolio Managers will aim to engage investee companies, which may include senior management. Unsatisfactory engagement, or the deterioration of expected standards from an investee company may lead to the Portfolio Manager divesting from the company

Financial and non-financial performance and risk

The Portfolio Managers undertake fundamental analysis, including the review of company statements such as quarterly results and detailed company filings. Furthermore, third party ESG research may be utilized to supplement the Portfolio Managers fundamental research by supplying information on riskbased scoring systems, product involvements and controversies.

Capital structure

Understanding of investee and universe companies’ capital structure is integrated within the extensive due diligence performed on such companies prior and during investment.

Social and environmental impact and corporate governance

Consideration of responsible investing has long formed part of the investment process of the Firm's inhouse Funds. As signatories of the Principles for Responsible Investment ('PRI'), the Firm is committed to incorporating the six principles within its sustainability process and encourages other players in the industry to consider signing the PRI in order to promote the adaption of the principles. The Firm aims to incorporate ESG issues in all the in-house strategies and promotes the incorporation of ESG issues with all sub-investment managers on the UCITS platform as well as for selected external managers. Through active dialogue and in line with their investment freedoms, each manager is responsible for defining and determining the potential impact of environmental, social and governance (ESG) risks on their investments. Furthermore, investments made by the Portfolio Managers are discussed during meetings of the Firm's ESG Committee. We believe that this is the best way to meaningfully integrate ESG factors and to ensure long-term sustainability. Aspects we engage in with investee companies may include, alignment with UN sustainable development goals, environmental and social reporting, disclosures and transparency, employee and board member diversity, anti-corruption policies, board structure and executive compensation.

3. Approach to conducting dialogue with investee companies

Dialogue with investee companies is continuous and may include, but it is not limited to; onsite and offsite due diligence, including visits to company premises, dialogue and face-to-face interaction with management, attending investor days and calls, thematic events and industry conferences.

4. Procedure for exercising voting rights and other rights attached to shares

The fiduciary duties of the Firm include voting proxies and to make voting decisions consistent with the best interests of its clients. The Portfolio Managers believe that being actively involved in the voting process on issues that involve investee companies encourages both the Portfolio Managers and the investee company to focus on long-term sustainable value creation.

The Portfolio Managers conduct their own proxy research, analyse each proxy, and keep various records necessary for tracking proxy voting materials and proxy voting actions taken. Each portfolio manager approaches their proxy votes in a way that they believe protects shareholder values and generates long-term sustainable value creation. This means that votes cast may not always support the Board of the investee company. The Portfolio Managers of the Firm's in-house Funds actively vote on all proxies received from their portfolio companies. The Portfolio Managers are entitled to vote at their own discretion and are not required to provide prior notice to the client. The Firm is not required to disclose votes that are insignificant due to the subject matter of the vote or the size of the holding in the company.

The Firm will consider the significance of each vote on an ongoing basis and in accordance with its proxy voting policy. Nonetheless, records of proxy voting activities may be available upon request, including votes cast and whether the Portfolio Managers have abstained or voted against recommendations of investee companies.

5. Approach to cooperating with other shares holders and communicating with other nonequity stakeholders

The Firm does not typically communicate with stakeholders of companies but monitors any conflicts or concerns as part of its active due diligence that may include governance issues or controversies.

6. Procedure for managing actual and potential conflicts of interests in relation to the Firm's engagement.

There may be instances where the interests of the Firm may conflict or appear to conflict with the interests of its clients. In such situations, the Firm will cast its vote in a manner consistent with its duty of care to its clients and only after disclosing the conflict to and receiving approval from the Investment Committee.

Annual Disclosures

A) Implementation of Engagement Policy

Heptagon will annually disclose how the engagement policy has been implemented including:

- General description of voting behaviour
- How Heptagon cast votes in the general meetings of companies in which it holds shares
- An explanation of Heptagon's most significant votes
- Heptagon's use of the services of proxy advisors

B) Further disclosures to Institutional Investors

As required by applicable law, Heptagon will annually disclose with/to each relevant institutional investor how its investment strategy and implementation of it;

- Complies with the arrangement in place with such relevant investor
- Contributes to the medium to long-term performance of the assets of the investor