

Alpina Engagement Policy (May 2021)

1. Introduction

The AFM is a management company authorised under Chapter 15 of the Luxembourg law of 17 December 2010 relating to undertakings for collective investment, as amended (the “Law of 2010”) and as alternative investment fund manager authorised under the Luxembourg law of 12 July 2013 related to alternative investment fund managers, as amended (the “AIFM Law”), which allows to manage alternative investment funds (“AIFs”) in the meaning of the AIFM Law and undertakings for collective investment in transferable securities authorised pursuant to the Law of 2010 (“UCITS” and AIFs, together the “Funds”).

This policy sets out the legal & regulatory requirements, as well as the related actions, which the AFM complies with to meet its obligations with respect of shareholder engagement and exercise of voting rights in accordance with the main following laws and regulations:

- ***AIFM Law transposing Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010;***
- ***Law of 2010 transposing Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to UCITS, as amended;***
- ***CSSF regulation 10-4 regarding the management of UCITS;***
- ***Commission Delegated Regulation (EU) n° 231/2013 of 19th December 2013 with regards to the management of AIFs;***
- ***CSSF circular 18/698 (as may be amended, supplemented or replaced) on authorisation and organisation of investment fund managers incorporated under Luxembourg law and specific provisions on the fight against money laundering and terrorist financing applicable to investment fund managers and entities carrying out the activity of registrar agent (“CSSF Circular 18/698”);***
- ***Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 as regards the encouragement of long-term shareholder engagement (Shareholders Rights Directive II) amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement;***
- ***Law of 24 May 2011 (the “SRD 1 Law”) on the exercise of certain rights of shareholders at general meetings of listed companies implementing EU Directive 2007/36/EC on the exercise of certain rights of shareholders in listed company, as amended, in particular by Law of 1 August 2019 (the***

“SRD 2 Law”) transposing the EU Directive 2017/828 on Shareholders' Rights;

- ***ALFI SRD II Q&A***

1.1. Purpose & Scope

The purpose of this Engagement and Voting Rights Policy is to demonstrate AFM 's regulatory obligations and efforts to ensure effective and sustainable shareholder engagement. The Policy outlines the general principles for how shareholder engagement is integrated in the investment strategies of Funds managed from time to time by the AFM and what different engagement activities the AFM carries out on behalf of clients when investing in Listed Shares.

However, as part of the AFM's obligation to act honestly, fairly and professionally in accordance with the best interest of its clients, the AFM will to the extent possible apply these general principles to all portfolio management activities where the AFM via its assigned Portfolio Managers invests in shares on behalf of its managed Funds, regardless of where the shares are admitted to trading and/or in what jurisdiction.

The policy applies to all Funds for which AFM acts as management company. The AFM does currently not act as Portfolio Manager for other management companies in which case the exercise of voting rights or other rights linked to assets are delegated through agreement to the AFM.

However, the AFM may delegate Portfolio Management services to third parties.

In case of such delegation, the AFM remains fully responsible for the overall investment management function, and shall ensure that proper arrangements to act in the best interest of the investors as well as the proper execution of voting rights are in place.

Subject to the limitations set out above, all employees in the AFM, including non-permanent staff, its (delegated) Portfolio Manager(s) and external consultants working on behalf of the AFM Company, must comply with the general principles set out in this Policy to the extent possible when engaging in portfolio management on behalf of the Funds managed by the AFM.

1.2 Definitions

AFM	Alpina Fund Management S.A.
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund
BoD	Board of Directors of the AFM or of the Investment Fund
Conducting Officers/Senior Management/CP CO for PM	Persons who effectively conduct the business CP responsible for Portfolio Management
Dealing on own account	means the investment service as defined under directive 2014/65/EU (MiFID II);
EEA	means the European Economic Area;
Listed Shares	means shares that have been issued by a company within the European Economic Area and is admitted to trading on a regulated market within the EEA;
Policy	means this engagement & voting rights policy;
Portfolio Management/PM	means the investment service as defined under directive 2014/65/EU (MiFID II)
Regulated Market	means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in the respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorized and functions regularly and in accordance with the provisions of Title III of MiFID II (Authorisation and operating conditions for investment firms)

2. Voting rights Principles

The following principles apply for cases, where the AFM has not delegated portfolio management to a service provider and applies in addition, where a service provider does not have an own voting rights policy accepted by the AFM.

2.1 Principles for exercise of voting rights

The exercise of voting rights shall be made to the exclusive benefit of the sub-fund and its investors and shall comply with the investment objectives and policies of the sub-fund.

The following principles apply for cases, where AFM has not delegated portfolio management to a service provider and applies in addition, where a service provider does not have an own policy accepted by AFM, as described earlier in this policy.

2.1.1. Proportionality

AFM takes into account the broadest meaning of "client best interest" which implies that there may be situations when voting would not be in the best interest of the Funds and its investors, or where voting would trigger disproportionate costs or other economic drawdowns when compared to the expected benefits.

Therefore, when deciding whether to vote on a Corporate Event or not, AFM will apply a proportionate approach with regards to the percentage of ownership in the relevant portfolio company.

Voting rights will therefore not be exercised when the aggregate equity position comprises less than 1 % of the voting rights of the respective portfolio company. Further, the AFM will not exercise any voting right which is linked to equity positions whose performance does not have any economic impact on the fund's performance (an example for such a position is an equity position whose performance is exchanged against the performance of another asset under a swap agreement).

2.1.2. Best Practice

When voting rights are to be exercised, the AFM takes into account guidelines for best practice, for example guidelines from the Luxembourg Fund Association (ALFI). Such guidelines are applied as implemented and are updated from time to time.

2.1.3. Participation

The AFM strives to execute its voting strategy in a responsible way towards the Funds, but shall not participate in the management of the portfolio companies. The AFM will merely use its voice as a shareholder to promote the principles it stands for. Neither employees or directors of the AFM, nor any employees or directors at service providers

appointed by the AFM shall be board members, managers or employees of the portfolio companies.

2.1.4. Alignment with investment objectives

The AFM shall, for each Corporate Event, perform an analysis of the Corporate Event and its significance and alignment with the investment policy and objectives of the relevant fund. When voting, the AFM or any delegate of the AFM shall act exclusively in the best interest of the relevant fund and shall assure that the voting complies with the relevant fund's investment objectives and policies.

Any voting activity shall be decided on a case-by-case basis, after carefully assessing all the economic implications attached to it.

In any case, the AFM shall apply an effective voting strategy preventing or managing any conflicts of interests potentially arising from the exercise of voting rights.

2.1.5. Economic interest of the fund

The AFM shall, for each Corporate Event, promote sound corporate governance principles, which shall be aligned with the long term economic interests of the fund in question.

2.1.6. Voting strategy in case of specific events

The AFM shall follow the following principles when voting or causing to be voted (non-exhaustive list of events):

- In the event of a lack of information, the AFM will abstain from a vote
- The AFM will vote against the acceptance of annual financial statements when the annual financial statements are not compliant with standard accounting rules or when there is a doubt that they may not be in compliance with standard accounting rules
- The AFM will vote for a change of the governing body only in the case of
 - o A considerable decline of performance
 - o Significant doubts about the competences of the governing body
 - o Severe misconduct / fraud of one or more members of the governing body.

2.2 Delegation of exercise of voting rights

As the portfolio management of the Funds could be delegated to an external Portfolio Manager, the exercise of voting rights could also be delegated by the AFM to the portfolio managers of the Funds.

When the AFM delegates portfolio management services, the service provider will be required to have its own policy for the execution of voting rights and investor rights whose standards are at least equivalent to the standards described in this Policy, or, the service provider may elect to implement and follow the Policy of AFM, as amended from time to time.

Furthermore, in case of a delegation to a third party, the contractual relationship between the service provider and the AFM shall provide for a proper monitoring of the execution of voting rights and investor protection at the level of the service provider at all times.

Should a service provider not dispose of an own voting rights policy or should the AFM consider that the voting rights policy of the service provider should, in full or in part, not be compliant with the engagement & voting rights policy of the AFM, the service provider will be required to follow the principles for the exercise of voting rights, as outlined in this policy, for the Funds under management of the service provider.

The AFM shall contractually enforce the service provider's responsibility to monitor corporate events for the portfolio companies invested in.

To ensure that the portfolio manager exercise voting rights in accordance with this policy the the AFM performs an initial and ongoing due diligence on the portfolio manager, part of which is to make sure that the portfolio manager has an adequate and effective voting rights policy. A review of the portfolio manager's voting rights policy is done as part of the ongoing due diligence process.

2.3 Measures and procedures to monitor and document the exercise of voting rights

The monitoring of the reports regarding Corporate Events is performed by the respective Portfolio Manager. In case that the AFM has delegated the entire portfolio management process to third-party portfolio managers, the AFM does not retain any part of the work processes. But the AFM remains still responsible for the setup of the reporting of Corporate Events from the depositary bank to the service provider. In principle, the CO for PM is in charge of this exercise. The CO for PM may be represented by another member of the ManCo / AIFM by virtue of a proxy.

In case that, the AFM is performing the portfolio management function itself, the responsibility for the entire portfolio management service, including monitoring and exercise of voting rights remains fully with the AFM.

2.4 Preventing or managing potential conflicts of interest arising from the exercise of voting rights

The AFM will prevent or manage any conflicts of interest arising from the exercise of voting rights.

3. Engagement activities

The AFM and its (delegated) Portfolio manager(s) undertake a range of “engagement activities” on behalf of its managed Funds in order to affect and influence investee companies to improve their corporate governance practices, as well as ensuring a more long-term approach in investee companies.

In this context, “engagement activities” should be understood as including the following activities in relation to the investee companies, as applicable:

- Monitoring;
- Conducting dialogues;
- Cooperation with other shareholders
- Communication with other stakeholders

When performing the above engagement activities, the AFM and its assigned Portfolio Manager(s) follow the approach to integrate of ESG considerations into the investment analysis, decision-making processes and active ownership practises.

3.1 General principles

The AFM has established six general principles for situations where the AFM typically deems it could affect and influence relevant investee companies to improve their corporate governance practices as well as ensuring a more long-term approach in investee companies.

These general principles serve as a guiding framework for what the AFM and its (delegated) Portfolio Manager(s) generally will aim at achieving by performing the above listed engagement activities on behalf of the Funds managed from time to time by the AFM.

1. Act in the long-term interest of shareholders

The investee company’s overarching goal should be to create long-term shareholder value. The corporate governance framework of the investee company should be designed to achieve this goal. For example, the investee company’s framework should keep the board of directors, executive management and employees focused on this goal. Further, the board and executive management should set a clear strategy on how to achieve this goal by taking into consideration all relevant factors and stakeholders.

2. Safeguard the rights of all shareholders

All shareholders should be given the opportunity to exercise their voting rights in relation to important corporate changes. Investee companies should ensure that the rights of all shareholders are protected and ensure that shareholders are treated equally, importantly by respecting the one share, one vote principle. New share issuances should seek to minimize the dilution of existing shareholders. Anti-takeover measures should not be employed.

3. Ensure efficient and independent board structure

To allow for efficient oversight of executive management, the board of directors of the investee companies and its committees should include an appropriate number of independent directors. Board members should have the necessary qualifications and involvement to fulfil of the board's mandate and improve the board's efficiency. Further, the board members should be selected to reflect the appropriate degree of diversity. Lastly, formal evaluation of the board, executive sessions and succession plans should be in place.

4. Align incentive structure of employees with the long-term interest of shareholders

The compensation structure of the investee company should be aligned with the long-term interest of shareholders whilst not restricting the company's ability to attract and retain talented employees. Compensation programs should be disclosed to shareholders clearly and in full.

5. Disclosure information to the public in a timely, accurate and adequate manner

Investee companies should ensure that disclosure on financial and operating results, ownership issues and performance on relevant ESG metrics are done in a timely, accurate and adequate manner. Financial statements should be audited on behalf of shareholders by independent external auditors on an annual basis. External auditors should not undertake overly extensive advisory roles at the company they audit.

6. Ensure social, environmental and ethical accountability

In the long-term interest of shareholders, investee companies are expected to be managed responsibly towards all stakeholders in such a way that relevant ethical and ESG standards are met. Companies should provide full disclosure on relevant metrics such as their labour standards, commitment to combating climate change and carbon emissions. To the extent possible, disclosures should be verifiable.

3.2 Integration of shareholder engagement in investment strategies

The AFM believes integration of engagement activities into its investment strategies can contribute to achieving sustainable long-term returns and shareholder engagement on behalf of its managed Funds. As part of the AFM's shareholder engagement activities, the AFM's assigned Portfolio Manager(s) may inter alia assess the below matters pertaining to the actual or potential investee company:

- Business strategy
- Environmental concerns
- Social concerns
- Corporate governance framework
- Compliance and risk management framework

- Capital structure

Matters such as the company's business strategy or capital structure are typically analysed by the assigned Portfolio Manager(s) as part of the research process pertaining to the individual investment strategy. This analysis is typically performed internally by the Portfolio Managers' research analysts, who may use external reports by third-party research providers as one input in the research process. The AFM / its delegated Portfolio Manager(s) may decide to abstain from investing in, or divest existing holdings, if the AFM/ its delegated Portfolio Manager(s) deems that the company does not have an adequate business strategy or capital structure in place.

Regarding ESG concerns, the degree of ESG integration may vary considerably across investment strategies and depends on a range of factors, e.g., the degree to which ESG data is available for the investee companies and client investment restrictions regarding sustainability.

3.3 Monitoring of investee companies

The assigned Portfolio Manager(s) are expected by the AFM to conduct several activities to monitor investments in investee companies managed on behalf of Funds managed by the Management Company:

- Portfolio Management
- ESG screening

3.3.1 Portfolio management

As part of the portfolio management activities, the matters set out in section 3.2 are monitored in various ways. For example, the Portfolio Manager(s) may look at actual or potential investee company announcements or reports (e.g. quarterly/annual reports) as input in assessing the investee company's business strategy, corporate governance framework or capital structure. Moreover, other publications (for example newspapers, financial journals or academic publications) may serve as input in shaping the Portfolio Manager(s) opinion on the company's corporate governance framework or environmental impact as well as best industry practice.

ESG matters are also monitored by the Portfolio Manager(s) as part of the ongoing portfolio management activities.

3.3.2 ESG

The Portfolio Managers monitor the portfolios with regard to all specifications relating to ESG criteria as defined by the Board of Directors in the prospectuses of the individual funds. This includes ensuring compliance with international conventions and norms.

The Portfolio Manager(s) will typically not immediately exclude a company from its investment strategies, as the Portfolio Manager(s) generally consider engagement more constructive.

However, if the company is either unwilling to, or over time fails to improve, our Portfolio Manager(s) will consider whether to *exclude* the relevant company.

3.4 Cooperation with other shareholders

In order to influence investee companies and promote better corporate governance, risk management, performance, or disclosure standards (including but not limited to how investee companies report on financial metrics or their climate change commitments) and on ESG-related issues, our Portfolio Manager(s) may cooperate with other shareholders.

Our Portfolio Manager(s) may select the approach deemed to be in the best interest of the investors invested in Fund managed by the Management Company and when not in violation of any laws or internal policies.

Collaboration will normally be conducted via formal or informal meetings with other shareholders.

3.5 Communication with relevant stakeholders

Our Portfolio Manager(s) may communicate with relevant stakeholders to obtain further information and views that may serve as an input in our Portfolio Manager(s) ongoing engagement with investee companies. The Portfolio Manager(s) select the approach deemed to be in the best interest of the Funds Managed and when not in violation of any laws or internal policies. Relevant stakeholders include interest groups, public authorities, and institutions.

4. Escalation

Any measures should be accompanied by escalation to the relevant bodies, if deemed appropriate.

The escalation stages are as follows:

Employee/Service Provider

→ Conducting Officer responsible for PM

→ Board of Directors of the management company or the fund

5. Disclosure

A summary description of the details of the actions taken on the basis of the principles of the exercise of voting rights will be made available to the investors on request and will also be published on the company's own website in its currently valid version

6. Review

This Policy is reviewed and updated on a regular basis at least once a year by the responsible CO of FFM.

A review is also conducted when required due to changes to the principles set out in this Policy and in the event of any regulatory changes likely to affect the AFM or its managed investment Funds.

Major amendments / updates will be submitted to the Board of Directors of the AFM.

Where no update is required, the Policy will be applied consistently over time.

This policy will be disclosed on the AFM's website.