

# Flexagon Capital Management Limited

(the “Company”)

## ENGAGEMENT POLICY DOCUMENT

### MASTER SHEET – VERSION CONTROL

Date	Details	Amended by	Distribute to Staff	Distribution Date	Board Approval
10.03.2021	1 <sup>st</sup> Version				April 2021

## ENGAGEMENT POLICY

### 1. General Information

1.1 Flexagon Capital Management Ltd. (the “**Company**”) in accordance with the Article 37 of the Delegated Regulation 231/2013 adopts, applies and maintains this strategy for exercising the participation and voting rights inherent to the stock-based financial instruments of said Funds (hereafter, the Strategy).

1.2 This Policy shall also take into consideration the requirements of the Shareholders’ Rights Directive 2017/828 (SRD II), which have been transposed to the national law into the relevant Sections of the Investment Services Rules.

1.3 Shareholder engagement is generally understood as the active monitoring of companies by shareholders, engaging in a constructive dialogue with the company’s board, and using shareholder rights, including voting, to improve the governance and financial performance of the company. The SRDII requires asset managers and institutional investors as defined in its Article 2(e) (“Institutional Investors”) to illustrate how they engage with investee companies and disclose their approach on an annual basis with a view to explain how shareholder engagement is included in the chosen investment strategy and implemented through e.g. the exercised voting behaviour (including, as the case may be, an assessment of the effectiveness of the relevant remuneration policies of the investee companies which may lead to an adaptation of the voting behaviour).

1.4 For the avoidance of doubt, this Policy is primarily applicable in relation to investments in corporations having their registered office in the European Union (the “EU”) and whose shares are admitted to trading in a regulated market located or operating in the EU.

1.5 The Strategy - approved by the Board of Directors of the Company is aimed at ensuring that participation and voting rights are exercised for the sole purpose of promoting the interests of the Funds under management, in the exclusive interests of their investors.

1.6 The adopted Strategy defines the procedures and measures which must be adopted in order to:

- a) monitor the corporate events connected with the financial instruments in the portfolios of the managed Funds, when required by the characteristics of the financial instruments that incorporate the rights to be exercised;
- b) assess the procedures and timing for exercising any participation and voting rights, on the basis of a cost-benefit analysis that also considers the objectives and investment policy of the Funds.

1.7 The provisions set out herein are consistent with the policy and investment objectives of the Funds and enable the Company freely to exercise participation and voting rights according to its own decisions, in the interest of the managed Funds and of their investors. For this purpose, the exercise of the participation and voting rights is not bound by or subject to voting or blocking shareholders’ agreements.

1.8 Subsidiary to the point 1.5 above, the Company qualifies as a Financial Market Participant in terms of the SFDR. As a result the Company is required to set out the approach adopted by the Company on the integration of sustainability factors in the investment decision-making process. The Company’s approach is not to assess

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Environmental, Social and Governance (“ESG”) factors that may have investment ramifications, and which may have a material impact on the investment’s long-term financial performance. As a result, information on ESG Factors does not form part of our investment decision making process.

The Company does not carry out an assessment or obtain information on ESG factors in respect of the individual investments in which it invests as it deems the adverse impact of such factors on the performance of the investments to be limited.

1.9 In implementing the provisions Article 37 of the Delegated Regulation 231/2013, the Company has set the criteria to assess the opportunity, procedures and timing for exercising participation and voting rights through a cost - benefit analysis that also takes into consideration the objectives and investment policies of the managed Funds. In particular, a combination of quantitative and qualitative criteria was identified in order to promote the correct fulfilment of the management duties and the monitoring of relevant corporate events involving the financial instruments in the portfolio.

1.10 These choices are determined by the relevance of the vote and by the costs deriving from participation in shareholders’ meetings of issuers in which the Company does not own a significant portion of the shares.

1.11 The Company assesses the opportunity of exercising voting rights first of all on the basis of a quantitative criterion, i.e. whether the shares held meet or exceed the relevance threshold established herein.

1.12 The Company, therefore exercises the voting rights with reference to all the equity based financial instruments held by the managed Fund. Specifically, the minimum threshold has been set at 2% of the capital of the companies issuing the financial instruments present among the assets of the managed Fund, considering any investment under the threshold as being an insignificant holding due to its size. Once this limit is exceeded, the Company participates and votes on the decisions made in the course of shareholders’ meetings (ordinary and/or extraordinary). In addition to the quantitative criterion, a qualitative criterion was set which limits the Company’s participation to the corporate events of European issuers.

1.13 The Company may also decide not to participate or not to disclose how it has cast votes in the general meetings of companies in which it holds shares, as that are insignificant due to the subject matter of the vote in conjunction to the cost-benefit analysis described under 1.9.

1.14 If the set limits are not exceeded, then participation and voting rights shall be exercised if required by the need to safeguard the interest of Fund investors.

## **2. Monitoring relevant corporate events connected to the financial instruments in the portfolios of the managed Funds**

2.1 Constant monitoring of the corporate events connected to the financial instruments in the portfolios of the Funds - for which the participation and voting rights are exercised - is facilitated by the thorough knowledge of the issuers identified according to the criteria set out in the previous paragraph. This knowledge is accompanied by the constant consultation of the notices available on the major info-providers currently used in the market (e.g. Bloomberg,) or any other reliable source of information.

## **3. Procedure for determining the vote to be cast**

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- i. If the above criteria are met, the Investment Committee does the necessary research in order to decide how to vote at the meeting, basing its decision on the information provided directly by the involved companies, on a thorough knowledge of the issuers, of their corporate strategies and on contacts with management and in the exclusive interest of the Funds and of their investors, thereby preventing and managing any conflicts of interest that may impact on the freedom to make these decisions.
- ii. Once the Company's position is defined, Mr. Daniele Bartoccioni has the authority to appoint, also separately from each other, the persons who shall participate from time to time in the corporate events and cast the vote on behalf of the Company.
- iii. Further to the above, the Company may instruct external parties (e.g. the central administration agent, the investment advisor or proxy advisor) to perform the necessary diligences and actions to formalise the decision taken.
- iv. The Board of Directors may formulate binding instructions at any time.

#### **4. Managing conflicts of interest**

In view of the need to safeguard the interest of the Funds and of their investors and to assure full decision-making freedom, specific limitations have been set to the power to exercise participation and voting rights; this was implemented in order to prevent and manage conflicts of interest.

In particular, it is prohibited to exercise the voting right inherent to financial instruments relative the managed Funds and issued by the companies that directly or indirectly control or belong to Flexagon Capital Management Ltd.

#### **5. Procedure for exercising participation and voting rights**

5.1 In view of the particular type of issuers identified within the Strategy, the ordinary procedure for exercising voting rights entails direct participation in the shareholders' meeting or correspondence voting, using the systems proposed by the custodian bank of the Fund.

#### **6. Brief description of the Strategy available for participants**

6.1 By means of its website, the Company provides Fund participants with a document containing the description of this Strategy.

6.2 Every essential amendment made to this document shall be notified to the investors by publication of the updated version on the Website [flexagoncapital.com.mt](http://flexagoncapital.com.mt). The Company has no obligation to notify in any other way the amendments made.

#### **7. Reporting Obligations**

The Company will also publish (e.g. on its website) at least on an annual basis how the engagement policy has been implemented, including a general description of voting behaviour, an explanation of the most significant votes and the potential use of proxy advisors' services. To distinguish between most significant votes (being subject to disclosure) and insignificant votes (not being subject to disclosure) qualitative criteria (as explained on section 1.13 of this Policy) or quantitative criteria (section 1.12 of this Policy) may be applied. Based on the "comply or explain" principle, such information might not be publicly available, e.g. in case the investment strategy of the CIS does not justify for such an implementation.

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Where applicable, the Company shall disclose to institutional investors how the investment strategy and implementation thereof, contributes to the medium to long-term performance of the assets of institutional investors or the Funds.

Such disclosure shall be made in the Annual Audited Financial Statements and shall include reporting on:

the key material medium to long-term risks associated with the investments;

portfolio composition;

turn-over and turn-over costs; and

policy on securities lending and how it is applied to fulfil the engagement activities, if applicable, particularly at the time of the general meeting of the listed companies.

Such disclosure shall also include information on whether and, if so, how, the Company makes investment decisions based on evaluation of medium to long-term performance of the listed company, including non-financial performance, and on whether and, if so, which conflicts of interests have arisen in connection with engagements activities and how the Company has dealt with such conflicts of interest.

## **8. Company's strategy for Funds managed by third party managers**

When delegating the investment management function or the portfolio management function on behalf of a given Fund, the Company usually agrees with the appointed investment manager to implement the following measures and procedures from a shareholder engagement and exercise of voting rights as follows:

- a) Pre-investment phase research and due diligence performed by investment managers allowing to identify and assess the growth potential and key risks associated with a given target company, with possibility to engage directly with the management of such target company and, as the case may be, appoint experts to discuss particular aspects (such as environmental aspects);
  - b) Monitoring of the corporate actions linked to the instruments held in the respective CIS (in conjunction with the central administrative agent/domiciliary agent of the CIS as the case may be);
  - c) Ensuring that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant CIS;
  - d) Exercising voting rights if deemed appropriate;
  - e) Preventing and managing any potential or actual conflicts of interest arising from shareholder engagement aspects or the exercise of voting rights;
  - f) Verification that the investment manager has or not an engagement policy in place;
  - g) Verification if an annual disclosure by the investment manager (e.g. on its website) of the implementation of the engagement policy (including how it has been implemented, including a general description of voting behaviour, an explanation of the most significant votes and the potential use of proxy advisors' services) has been done; and
  - h) Verification of a disclosure usually by the investment manager at least on an annual basis to Institutional Investors or by publicly available information of how the investment strategy and implementation thereof complies with applicable arrangements entered into with Institutional Investors.
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