
ENGAGEMENT POLICY

December 2022

DOCUMENT CONTROL LOG

Version Number	Reason for Update	Date of Release	Amended By
1	Initial Draft	October 2020	FAW
2	Update to disclosures	December 2022	FAW
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1. ENGAGEMENT POLICY

In its role as an asset manager BG acts on behalf of a number of retail, professional and institutional clients in its engagement with companies it invests in. BG recognises that it has a fiduciary duty to act in the best interest of its clients over both short and long-term horizons. This duty includes undertaking responsible stewardship of client assets in a way that should add value for clients through time.

This Engagement policy sets out how BG engages with investee companies. The policy is a requirement under the EU Shareholder Rights Directive II and should be read in conjunction with BG's Proxy Voting policy and BG's ESG and Responsible Investment Policy.

The implementation of this policy will be reported publicly on an annual basis and will include a general description of voting behaviour, an explanation of the most significant votes and the use of proxy advisors. Additional reporting can be provided to investors upon request.

2. INVESTMENT PROCESS AND ENGAGEMENT

BG operates a number of different investment strategies, and in its flagship fund aims to provide investors with uncorrelated and diversified returns. BG has a large team of fundamental analysts and engagement with investee companies is a central pillar of BG's non-quantitative equity investment strategies and is a key input in the investment process.

BG's specialised sector analysts use their extensive knowledge and experience in their sector to make investment recommendations to the firm's Investment Committee. The Committee reviews the investment thesis and evaluates the merits of an investment. As well as conducting its own proprietary research, BG sources investment research from third parties to compliment and contrast the views of its analysts while also gaining access to industry specialists.

Engagement with investee companies forms part of the initial due diligence conducted by analysts on potential investments and is also part of the firm's ongoing monitoring and oversight of investments.

BG engages with investee companies in several different ways: direct one-on-one meetings with a company's management, group meetings with other investors and the investee company, attendance at industry conference and investor days. This enables BG's analysts to engage with the investee company in a variety of settings whilst also providing valuable insight into other investors and potential investors in the company.

An internal record of investee company engagement meetings is maintained and cross referenced with data kept by brokers to ensure its accuracy. In 2019 the firm conducted over 500 meetings with existing and potential investee companies.

In conducting their research, BG's analysts will typically review company statements, filings and market data, and research from brokers and other sources. In addition, BG also reviews the companies in the context of data and research provided by a third-party specialist ESG provider. ESG specific data can be particularly subjective and is used as a high-level screen along with other sources during the due diligence process for a potential investment and then for on-going monitoring of positions. Wherever outlying data points, new items or potential controversies are identified, the firm's Risk Committee is notified and will review the potential impact this could have on shareholder value. Whilst there are currently no defined industry-standard ESG risk-metrics, BG believes using ESG data as an overlay for risk control is a useful addition to its traditional sources of information.

3. DIALOGUE WITH INVESTEE COMPANIES

BG engages with company management to improve its understanding of the company's business, culture and governance process and also to discuss any specific concerns or opportunities that the analyst would like more detail on. Areas of interest and engagement may typically include:

- Corporate capital and financing structure
- Divergence by the company from its stated strategic objectives.
- Controversies that arise with potential to impact shareholder value, including environmental, social and governance matters.

Where BG takes an equity position, depending on the investment thesis and size of the position, BG may, on its own or in conjunction with other investors, seek to change an investee company's behaviour in order to better realise value for shareholders. Influencing investee company behaviour is achieved through frequent direct engagement with the investee company's management.

4. EXERCISE OF VOTING RIGHTS

BG is cognizant of its stewardship responsibility and endeavours to vote in the best interests of its clients. To this end, BG maintains a Proxy Voting Policy which sets out when and how it will vote at investee company meetings. The policy is available upon request.

5. COLLABORATION WITH OTHER INVESTORS

Where permitted by applicable laws and regulation, BG collaborates with fellow shareholders where it believes it would be in its client's best interests to do so. This collective engagement can take the form of joint voting at meetings, acting as co-plaintiffs in class action lawsuits or participation in shareholder group forums.

6. CONFLICTS OF INTEREST

BG recognises that stewardship activities and company engagement can on occasion lead to conflicts of interest arising. BG maintains a Conflicts of Interest Policy which identifies conflicts and implements controls. The Firm aims to maintain and operate effective organisational and administrative processes to identify and to prevent or manage potential and actual conflicts of interest in the Firm's business.

With specific reference to the Firm's engagement with listed companies, the Firm has identified the provision of gifts and hospitality and personal account dealing as areas of higher risk. These are areas which Compliance monitor regularly, and staff receive frequent training on.

When engaging with companies, it is possible for BG to receive inside information. This does not often occur, but when it does, the analysts attending the meeting are required to notify BG's Compliance team who will then ensure the necessary controls and restrictions are put in place.

Any specific conflicts of interest are reviewed by the Conflicts of Interest Committee and escalated to the Management and Control Committee where required.

7. DISCLOSURE

The Firm's initial Annual Disclosure covered the calendar year 2020 and was made available in 2021. The Firm publishes its annual Engagement Report on its website: <https://www.boussard-gavaudan.com/en/p/26/regulatory-disclosures>