



SHAREHOLDER RIGHTS DIRECTIVE II

ENGAGEMENT POLICY

Introduction

Directive (EU) 2017/828 as implemented by the Shareholder Rights Directive (Asset Managers and Insurers) Instrument 2019 (SRD II) came into force in the United Kingdom on 10 June 2019. The SRD II aims to promote shareholder engagement and improve stewardship practices across the European Union (EU). The SRD II imposes transparency obligations on asset managers providing discretionary portfolio management services, to the extent investments are made in shares traded on a regulated market, including certain markets situated outside the European Economic Area (EEA), and encourages long-term shareholder engagement.

Hottinger & Co Limited (Hottinger) is a boutique investment management company which provides bespoke discretionary portfolio management services to global clients. We are, by nature, a conservative manager who aims to preserve capital and income whilst delivering consistent investment performance. All our investment professionals collaborate and provide input to the decision-making process which analyses economic and political issues affecting world markets, as well as governance, and stewardship.

We aim to achieve our goal of maximising returns within given guidelines through diversification across asset classes, regions and currencies recognising that great investment ideas can come from many different sources. When investing in funds, we fully utilise our access to top-rated managers to keep abreast of market thinking, as well as the developments within individual funds. This close interaction with market participants helps us to identify investible 'themes' which we believe have fundamental and enduring characteristics, whilst updating our monitoring of continuing stewardship.

At Hottinger, we also emphasise the use of independent research and responsible investment activities. We believe in the primary importance of understanding our clients' objectives and expectations and we construct bespoke portfolios tailored to suit. We recognise that each client will have specific investment needs and objectives so our portfolio strategies are designed to suit specific requirements, ascertaining a client's tolerance to risk, their investment time horizon and return objectives while ensuring that all risks are fully explained and understood.

This incorporates our clients' requirements on governance and stewardship. We believe that effective stewardship, high standards of corporate governance and transparent engagement benefits our clients', investors, companies, and the economy in the long-term. Hottinger fully supports the UK Stewardship Code, the benchmark in the UK for institutional investors to meet ownership responsibilities in respect of their holdings. The Code is voluntary and operates on a comply-or-explain basis. The Financial Reporting Council (FRC), the independent UK regulator overseeing financial reporting, accounting, auditing, and corporate governance, monitors compliance with the Code.

We undertake all investment stewardship engagements and proxy voting with the goal of protecting and enhancing the long-term value of our client's assets. We are committed to transparency and this policy together with our Stewardship Code Statement sets out how we conduct investment stewardship activities in support of long-term sustainable performance for our clients. For more information on our Stewardship Code, please see our Statement of Compliance on our website at www.hottinger.co.uk.

At Hottinger, we are an advocate of responsible share ownership and senior members of our investment team oversee our stewardship of the companies in which we invest. However, active voting and shareholder engagement on behalf of our clients or in any form of wider stakeholder communication or shareholder cooperation is not an integral part of our investment approach, which involves limited holdings or direct investment in listed companies that will always represent a small fraction of the company's total capital and will therefore have minimal voting influence.

This Statement comprises our Shareholder Rights Directive II (SRD II) Engagement policy, and describes how we meet the requirements of SRD II and our approach to shareholder engagement, where, in exercising our authority to manage client portfolios under a discretionary investment management mandate, we invest directly in shares of companies with a registered office in an EU member state and whose shares are admitted to trading on an European Economic Area (EEA) regulated market (or on a comparable market outside the EEA).

Integration of shareholder engagement in our investment strategy

Our investment team is responsible for managing investments across a wide range of financial instruments, including but not limited to:

- Equities.
- Collective investment schemes.
- Alternative investment funds.

This entails the continuing monitoring of the relevant investments against specific criteria that forms the basis of our strategy and can include:

- Performance (financial and non-financial).
- Risk.
- Corporate governance.
- Social and environmental impact.

Where this relates to a collective investment scheme, this will include an ongoing dialogue with the relevant scheme manager; and, where these investments relate to investee companies, we will endeavour to maintain communications with the management of the investee companies as well as with other shareholders.

However, our level of engagement will be proportionate to the size of our shareholding in relation to the investee companies total share capital. In most instances, our scope of engagement and its effectiveness will be limited. But our investment team will always endeavour to maintain communications with the investee company's management and other shareholders and in order to meet our fiduciary duty to always act in the best interests of our clients.

Monitoring investee companies

All monitoring is undertaken on a case by case basis and throughout the life cycle of the investment. Monitoring is designed to ensure that the investee company in question is in compliance with any specific client requirements set out in the client's mandate, the investment objectives and restrictions and our duties and responsibilities as determined in either the investment management agreements or in the scheme particulars; and to protect any investment value for the client.

Monitoring might include, but will not be limited to:

- Analyses of an investee company's financial statements.
- Analyses of third-party brokers' investment research.
- Any market available information.
- Any 'in-house' investment research and analysis that might be undertaken by a member of the investment team.

Additional monitoring might include the determination of an investee company's governance structures and to ensure its compliance with the UK Corporate Governance Code. If we have a material concern over an investee company's actions, we will always endeavour to raise our concerns with the management and seek effective mitigating actions before seeking to divest our client's interests.

Collaborative shareholder engagement

Where appropriate and only as part of our escalation of an issue and acting in the best interests of our clients, would we consider collaborative action with other investors on a formal and informal basis. Such action and decisions would be taken on a case by case basis and made only after taking into consideration any conflicts of interest, market abuse issues relating to price sensitive information and the requirements under the FCA's treating customers fairly tenets. Examples of matters that we would consider acting in collaboration with other investors would include but not limited to a lack of corporate visibility, social and environmental incidents, director remuneration and the company's approach to strategic risk.

Engagement with investee companies

Before making an investment, we will undertake our own research into an investee company. Wherever possible, we will endeavour to meet with the investee company management in order to assess specific investment criteria, including but not limited to:

- The current valuation of the investee company.
- Risks to the investee company and to its operating industry.
- The sustainability of the business model.
- Its performance.
- Its alignment with Environmental, Social and Governance (ESG) interests.

However, as outlined above, our level of engagement will be proportionate to the size of our shareholding in relation to the investee companies' total share capital. In most instances, our scope of engagement will be limited as our clients are invested across a range of financial instruments. Any engagement will be conducted by senior members of our investment team.

Exercise of voting rights, other rights, and disclosure

Our policy on voting rights is set out in our Investment Management Agreement (IMA), which is provided to all our clients. All voting decisions taken will be made in the best interests of our clients and will be made by us only after exhausting all opportunities to engage with the investee company in open dialogue. If we cannot reach a satisfactory outcome through open dialogue, then we will either seek to abstain or vote against the investee company. In all circumstances, we will notify the investee company in writing of our intentions and provide the reasons.

We have not adopted a policy of automatically supporting the management of any investee company nor do we intend to actively seek to influence an investee company's governance. The occasions when we have abstained or actively voted against the investee company will be publicly disclosed on our website at www.hottinger.co.uk, unless otherwise requested not to do so by our clients. We will take such occasions on a case by case basis and we will specifically communicate with our clients to

determine whether they wish their records to be made public. We do not engage in the use of proxy voting or other voting advisory firms.

Conflicts of interest

We take all reasonable steps to identify, mitigate and manage:

- Conflicts of interest between us and our clients.
- Conflicts of interest between clients.
- Conflicts of interest between individuals in our business and clients.
- Any intra-group conflicts.

Our aim is to ensure that we are always acting in the best interests of our clients. Our conflicts of interest arrangements is available on our website at www.hottinger.co.uk. Conflicts management is integral to our approach to governance.

Our arrangements ensure that it is the responsibility of all members of staff to effectively manage conflicts and to prevent the possibility of market abuse being committed or facilitated and thereby ensure that proper market and business standards are maintained. These arrangements include but are not limited to the following possible conflicts:

- Client take-on.
- Client categorisation.
- Investment suitability.
- Investment strategy and objectives.
- Best execution.
- Investment errors and breaches.
- Investment performance.
- Unfair contract terms.
- Periodic statements.
- Communications.
- Complaints.
- Outsourcing.
- Personal account dealing.
- Gifts, entertainment, and hospitality.
- Political contributions.
- Outside business interests.

Further details on our arrangements to monitor and mitigate possible conflicts are included in our Conflicts of Interest Policy.

Transparency and disclosure

We will annually disclose how this Engagement Policy has been implemented, including where proportionate and material:

- A description of our voting behaviour.
- An explanation of the most significant votes.
- The use of the services of proxy advisors.
- A description of how we have cast votes in the general meetings of companies in which it holds shares on behalf of our clients.

As required by applicable law, we will provide certain institutional clients with additional disclosures regarding how our investment strategy complies with the arrangements in place with those clients; and contributes to the medium to long-term performance of the assets of that institutional investor.

Review

This Engagement Policy is reviewed and approved annually or more frequently as needed and is available on our website at www.hottinger.co.uk.

For further information, please contact Tim Sharp, Chief Executive Officer, Hottinger & Co Limited.