

# Assenagon Guide

## Corporate Guidelines

### Engagement and Voting Policy

#### Introduction

Assenagon Asset Management S.A. ("the Company") is a "société anonyme" in accordance with Chapter 15 of the Law dated 17 December 2010 with registered office at 1B Heienhaff, 1736 Senningerberg, Luxembourg. The Company has established a Branch in Germany (Assenagon Asset Management S.A., Zweigniederlassung München, "the Branch"). Together, the Company and the Branch are referred to as "Assenagon".

The purpose of Assenagon is the management of Luxembourg and foreign undertakings for collective investments in transferable securities ("UCITS"), which are authorised in accordance with the European Council Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("Directive 2009/65/EC") and other Luxembourg and foreign undertakings for collective investment (UCI) or funds. In particular, the Company may act as Alternative Investment Fund Manager (AIFM) for Luxembourg and EU Alternative Investment Funds as well as for Alternative Investment Funds domiciled elsewhere outside the EU (AIFs) carried out in compliance with the Law of 12 July 2013 on Alternative Investment Fund Managers.

In Luxembourg, CSSF Regulation 10 – 4 (transposing Commission Directive 2010/43/EU of 1 July 2010) stipulates that Management Companies shall develop adequate and effective strategies for determining when and how voting rights attached to instruments held in the managed portfolios are to be exercised (to the exclusive benefit of the UCITS concerned). CSSF Regulation 15 – 7 sets out that specialised investment funds shall set up an adequate policy aiming to prevent or manage any conflict of interest resulting from the exercise of voting rights attached to instruments held.

The purpose of this Policy therefore is to define the principles and strategies for the Company in order to determine when and how shareholder voting rights pertaining to companies held in the Funds (the "Portfolio companies") are to be exercised. This policy also sets out rules for the reporting at the level of the Management Company on "Transparency requirements" according to the Grand Ducal Regulation of 11 January 2008 (hereafter referred to as the "Transparency Law") as well as CSSF Circular 08/349 of 21 April 2008 (Implementing Directive 2004/109/EC) as amended by CSSF Circular 16/638 and CSSF Circular 22/800 and other national laws and regulations regarding transparency requirements which might be applicable to the Portfolio companies.

EU parliament and council have adopted the second shareholder rights directive (the SRD II), Directive (EU) 2017/828 of 17 May 2017, amending Directive 2007/36/EC (the SRD I). Luxembourg has implemented the SRD II by adopting Law n°562 of 1 August 2019 (the New Law) and amending the Luxembourg law of 24 May 2011 on the exercise of certain rights of shareholders in listed companies (the Law). In addition, a corresponding new Regulation (EU) 2018/1212 has become applicable from 3 September 2020. The main objectives are to encourage and improve the long-term engagement of shareholders in listed companies, reinforce shareholders' rights and increase the transparency of institutional investors, asset managers and proxy advisors. Asset managers must develop and disclose an engagement policy describing how they integrate shareholders' engagement in their investment strategy.

This Policy is therefore expanded to include Assenagon's stewardship and engagement policy and to provide transparency towards institutional investors, in particular. It describes how Assenagon monitors strategic, financial, environmental, social and governance matters as well as risks and capital structure at the level of EU Listed Companies and how Assenagon interacts with EU Listed Companies, the other shareholders and the other stakeholders. EU Listed Companies means companies that are traded on an EU or EEA regulated market as defined in MiFID II, it is thereby irrelevant whether the company is registered in the EU or not.

According to the Act, asset managers must also ensure that their existing policy on conflicts of interest takes into account conflicts arising out of their engagement activities.

Asset managers must also publicly report every year on how they implemented their engagement policy, specifically in terms of exercise of voting rights (i.e. description of voting behaviour, explanation on significant votes, report on votes cast and use of proxy advisors). If they do not intend to comply with these requirements, they must publicly disclose a clear and reasoned explanation why they have chosen not to do so. Publication takes place on Assenagon's website and will be updated annually unless there is no material change.

This Policy has seven sections. Section 1 sets out the scope of this policy. Section 2 describes Assenagon's stewardship and engagement procedures for each type of investment strategy applied. Section 3 explains corresponding transparency and reporting requirements, in particular to institutional investors. Section 4 details how the monitoring of corporate events is

# Assenagon Guide

## Corporate Guidelines

organised. In section 5, the rules regarding the exercise of voting rights are outlined. Section 6 deals with the prevention of potential conflict of interest arising from engagement and the exercise of voting rights. Finally section 7 defines the review procedure of this policy.

This policy shall be read in conjunction with the following policies of the Company:

- Policy regarding conflicts of Interest
- ESG Policy

### Definitions

Portfolio Company, Investee Company	Means a holding pertaining to one of the Funds under management
Voting Right	Voting rights attached to shares falling within the scope of the Transparency Directive
Appointed Voter	The entity or organisation to whom the exercise of voting rights are transferred
Fund	Means fund or sub-fund under management of the Company

### 1. Application and scope of this policy

The Company acts as a service provider for UCITS, AIFs and other non-UCITS in various jurisdictions and with various legal structures (e.g. Luxembourg FCPs, SICAVs, etc., together "the Funds").

- This policy is applicable to all Funds, for which Assenagon acts as Management Company or Alternative Investment Fund Manager. The Company may act as delegated investment manager or execution agent or in similar roles in which cases the decision to exercise voting rights or other investor rights linked to assets of the Fund are delegated to the Company as "Investment Manager" under delegation from a third party Management Company. In such cases, the Company is either obliged to follow the Policy of the delegating Party, or apply the rules of this Policy, whichever is applicable due to the individual setup.
- The Company may delegate investment management or other execution services to other service providers, e.g. to external investment managers or execution agents. In such cases the Company remains however 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 engagement and voting rights are in place. When the Company delegates Investment Management Services, the service provider will be required to have its own policy for engagement, execution of voting rights and investor rights whose standards are at least equivalent to the standards described in the policy below, or apply the Policy of the Company delegating Investment Management services. Furthermore, in such cases, the contractual relationship between the service provider and the Company shall provide for a proper monitoring of the execution of voting rights and investor protection at the level of the service provider is ensured at all times.
- The Company may act as service provider to an appointed Investment Manager, as execution agent. This policy is not applicable to such services or such funds.

Should a delegate Investment Manager not dispose of an own engagement and voting policy or should the Company consider that the engagement and voting policy of the delegated Investment Manager should (in full or in part) not be compliant with the engagement and voting policy of the Company, the Investment Manager will be required to follow the Company's engagement and voting policy in relation to all portfolio companies of the Fund.

The Company shall contractually enforce the delegate Investment Manager's responsibility to monitor Corporate Events at the level of the portfolio companies.

### 2. Stewardship and engagement procedures

This section describes the Company's stewardship and engagement procedures, i.e.

- how Assenagon integrates engagement with investee companies into its various investment strategies,
- how Assenagon monitors important financial and non-financial figures of its portfolio companies, their risk and capital structure as well as their social, environmental and corporate governance matters,

# Assenagon Guide

## Corporate Guidelines

- the dialogue with other stakeholders and other shareholders.

Section 4 and 5 further detail, how Assenagon monitors and exercises its voting rights.

A basis for Assenagon's engagement is the Company's "Environmental, Social and corporate Governance (ESG) Policy", on the one hand, and the Company's "Cluster Munition, Controversial Weapons and Financial Sanctions Policy", on the other hand. ESG approaches of Assenagon's various investment strategies are described in separate documents.

### 2.1 Collaborative engagements

In addition to stewardship activities pursued by individual portfolio management teams, Assenagon as a company participates in so-called "collaborative engagements". In these collaborative engagements, various global asset managers jointly address sustainability issues with a large number of companies. This offers us the opportunity to actively enter into dialogue, together with other investors, with a large, global set of companies in order to counteract abuses in the area of environmental, social and corporate governance (ESG).

Here, we take into account the ESG criteria as described in our ESG Policy.

In general, we focus our engagements on companies instead of governments, as we do not manage any active government bond strategies and only use government bonds in our liquidity management.

The collaborative engagements are overseen by the ESG Committee and the results are documented in our system and also shared with portfolio management. The targets of the engagements are based on the investment universes and portfolios of the various funds we manage.

### 2.2 Fixed income strategies

Our Credit Portfolio Management team engages with Investee Companies in various meetings, e.g. one-on-ones, aiming at analysing the company's financial and non-financial figures and practices, especially regarding the most important environmental, social and corporate governance (ESG) issues in the sector or company, and to focus on areas where risk management is insufficient and where engagement can be an opportunity to discuss practical improvements.

We aim at influencing those towards long-term financial and non-financial goals.

We discuss ESG issues at company meetings and track companies' progress.

If companies fail to proceed on their sustainable targets set, Portfolio Management may consider a divestment if we see a significant deterioration in the ESG profile.

Credit analysis, ESG analysis and the engagement results are basis for our investment decisions in the Credit Portfolio Management.

Engagement meetings, analysis results and investment decisions are documented in our system, which allows tracking of Investee Companies' progress on the one hand, and annual public reporting on the other hand.

Stewardship activities for our infrastructure mandates are performed by the management company.

### 2.3 Equity strategies

Our funds follow systematic equity strategies that generally invest in highly diversified portfolios with relatively small positions in individual companies. We consider relevance of subject and relative stake size before conducting stewardship activities with any company. There is an ongoing monitoring of all portfolio companies regarding financial and non-financial figures.

For selected funds, we exercise share voting rights via the Climate Policy of the proxy advisor ISS. This policy follows established principles of shareholder participation, but also takes into account (where applicable) defined sustainability criteria, with a strong focus on climate risks in particular. For example, greenhouse gas emissions, the climate strategy and the general impact of the companies' business activities on the climate are taken into account. The transparency requirements are, amongst others, based on the framework of the Task Force on Climate-Related Financial Disclosures (TCFD), which strives to promote climate-related disclosures in corporate publications. It might not be economical to always exercise all voting rights, also depending on the respective fund size.

In terms of engagement, we mainly focus on engaging with companies via collaborative engagements as described in 2.1.

# Assenagon Guide

## Corporate Guidelines

### **2.3.1 Proxy advisors**

In the case when Assenagon uses proxy advisors, Assenagon will mainly rely on information and recommendations provided by those. In order to ensure reliable recommendations, proxy advisors must annually disclose certain key information regarding the preparation of their recommendations. Proxy advisors must also publicly disclose their code of conduct and report on the application of the said code.

### **2.4 Multi asset strategies**

Engagement for our multi asset multi-manager strategies means engagement with the target fund managers. Prior to investing, our engagement is two-fold: First, we require our target fund managers to answer a due-diligence questionnaire concerning their stewardship, their engagement to Investee Companies, their dialogue to other stakeholders and shareholders, as well as their approaches and commitments to ESG. Second, we discuss more in-depth questions directly with the responsible manager in at least one research meeting. Given the diverse nature of the industry's fund offering, this second step is of particular importance to us. After investing, we review the portfolio positions on a daily basis by communicating with the management team, demanding updates on the due-diligence questionnaire as well as running quantitative screens based on the target funds' portfolios.

### **2.5 Passive index/Systematic strategies and other derivative strategies**

Where Assenagon manages passive index/systematic strategies or derivative strategies (e.g. volatility strategies), engagement is only possible regarding the basis portfolios, where the fund's cash is invested into shares or bonds.

In cases where derivatives settle physically in shares, those shares are generally sold within the same day.

For the choice of the basis portfolio universes all requirements according to our Cluster Munition and Financial Sanctions Policy are considered.

The passive index/systematic strategies themselves and their constituents, as well as the underlying Investee Companies of derivatives cannot be influenced by Assenagon.

### **2.6 Synthetic liquidity strategies**

The investment objective of the Synthetic Liquidity Strategy is to generate a money market-like return. A main part of the investment strategy is implemented by a synthetic delta-zero equity structure: a package consisting of a stock position long and a physical future position short. Thus, the strategy never participates on any stock movement, and therefore not on any ESG-related risks of Investee Companies.

Further, because of its synthetic structure and the uncertainty of dividend payments, the strategy does not collect dividends, and therefore never holds equity positions around the corresponding dividend dates. As a consequence, the funds never hold voting shares at times of general meetings, meaning the strategy is build such that voting is not possible.

For both reasons, irrelevance of underlying equity movements as well as no possibility to use voting rights as a last resort, Assenagon does not engage for these strategies, in general, but may do so in severe cases.

## **3. Transparency and reporting obligations**

Assenagon will publicly disclose this "Engagement and Voting Policy" on the Company's website.

Further, annual reports how this Policy has been implemented, will also be publicly disclosed on the Company's website. In particular, the report will include an explanation of the most significant votes at general meetings, and the use of proxy advisors. It may exclude votes that are insignificant due to the subject matter of the vote or the size of the holding in the company.

# Assenagon Guide

## Corporate Guidelines

### 3.1 Arrangements with institutional investors

Where an asset manager invests on behalf of an institutional investor, the latter must publicly disclose certain information regarding its arrangement with the asset manager. This may, for example, include how the investment strategy is aligned with the profile and duration of the liabilities of the institutional investor, in particular long-term liabilities or how to engage with Investee Companies in order to improve their performance in the medium to long-term.

Assenagon will disclose, on an annual basis, to the institutional investors with which they have entered into such arrangements, how their investment strategies and implementation comply with those arrangements and contribute to the medium and long-term performance of the assets of the institutional investor or of the fund.

### 4. Monitoring relevant corporate events for general meetings and exercise of voting rights

The monitoring of corporate events is organised in a different way depending on the role of the Company. Two different situations can be discerned regarding the monitoring of corporate events:

- 1. The Company acts as Management Company for funds under management:** In such case, the monitoring of corporate events is delegated to the Depositary. The delegated services to monitor and report on Corporate Events are detailed in outsourcing agreements as well as in Operating Memoranda and Service Level Agreements. The Depositary for the funds under management reports on corporate events to the Management Company. For delegated Investment Management Services, the Company organizes reporting of corporate events from the appointed Depositary directly to the appointed third party Investment Manager. The Company monitors from time to time the delegated services performed.
- 2. The Company acts as Investment Manager for the funds under management:** The monitoring of corporate events is delegated by the third party Management Company to its appointed Depositary and to the Investment Manager. The Depositary for the funds under management reports on corporate events to the Management Company as well as to the Investment Manager. The services are described in agreed Service Level Agreements with the Management Company delegating services to the Company.

In addition, the Company may apply proxy advisors to monitor relevant corporate events.

### 5. Rules regarding the exercising of voting rights, notification of major holdings and investor protection

If an investment fund has transferred the Voting Rights to a Management Company, the Management Company shall be the Appointed Voter and shall be the entity ultimately responsible for the notification of major holdings under the Transparency Law. The Management Company is then obliged to aggregate the relevant Voting Rights, irrespective of whether the portfolios are in different sub-funds of one single investment fund or in different investment funds.

Where voting rights are contractually retransferred to one or more investment managers and as long as such investment managers are free to exercise the Voting Rights at their discretion, independently of the Management Company in question, (meaning, effectively, that such Investment Managers become "Appointed Voters" of the rights pertaining to the holdings in the funds they manage) the Management Company delegating the Investment Management services will be exempt from having to aggregate such Voting Rights. In such case, it is the Appointed Voter who is ultimately required to make a notification if the percentage of Voting Rights which they hold or which have been assigned to them in accordance with Article 9 of the Transparency Law. The Appointed Voter will also be responsible for calculating the "equivalent economic interest" according to Commission delegated regulation (EU) no 2015 /761.

#### 5.1 Aggregation of voting rights

The Company therefore applies the following principles for the aggregation of voting rights:

- The Company acts as Management Company for funds under management:** In such a case, voting rights pertaining to the portfolio companies are aggregated for all funds under management as long as the exercise of voting rights is retained with the Company. Where Voting Rights are pertained at the Level of the Fund (as the case might be for a SICAV), voting rights are aggregated on Fund level only and reported to the Board of the Fund.

# Assenagon Guide

## Corporate Guidelines

- **The Company acts as Management Company for funds under management but delegates the discretionary Investment Management to a third party:** Where Voting Rights are contractually re-transferred to one or more investment managers and such investment managers are free to exercise the Voting Rights at their discretion, independently of the Company, such delegates become "Appointed Voters". The Company will not aggregate the voting rights for such portfolios.
- **The Company acts as Investment Manager or Execution agent for funds under management:** Voting rights pertaining to the portfolio companies are aggregated with the holdings of the Management Company in case the Voting Rights are entirely delegated to the Company within the Investment Management Services. In case the Company, as Investment Manager, is contractually obliged to follow the Policy of the delegating party and such policy does not foresee a delegation of Voting Rights to the Company, such voting rights are not to be aggregated with the voting rights of the portfolio companies of the Company.

### 5.2 Principles for the exercise of voting rights

When the Company exercises its own identified Voting Rights or when the appointed Investment Manager acts in accordance with this policy the following principles shall apply:

- **Proportionality:** The Company takes into account the broadest meaning of "client best interest" – this implying that there may be situations when voting would not be in the best interest of the Funds, 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, the Company will apply a proportionate approach with regard to the significance of the subject matter and the percentage of ownership in the relevant Portfolio Company. Voting rights will therefore, in general, not be exercised when either the corresponding portfolio value of the Portfolio Company of each relevant portfolio is less than 1% of the total net assets of a Fund, or the aggregate equity position of all relevant portfolios comprises less than 0.01% of the voting rights of the respective Portfolio Company.
- **Best Practice:** When voting rights are to be exercised, the Company takes into account guidelines for best practice, for example from the German Investment Fund Association ("Bundesverband Investment und Asset Management", BVI).
- **Proxy Advisors:** The Company may apply proxy advisors to receive information and recommendations regarding voting. In that case Assenagon may mainly rely on the provided data. The Company will provide necessary information to our investors and include those into our annual report.
- In order to ensure reliable recommendations, proxy advisors must annually disclose certain key information regarding the preparation of their recommendations. Proxy advisors must also publicly disclose their code of conduct and report on the application of the said code.
- **Participation:** The Company 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 Company will merely use its voice as a shareholder to promote the principles it stands for. Neither employees of the Company, nor any employees or directors at service providers to the Company shall be board members, managers or employees of the portfolio companies.
- **Alignment with Investment objectives:** The Company 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 Company or any delegate of the Company 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 measuring all the economic implications attached to it.
- **Economic interest of the Fund:** The Company shall, for each corporate event, promote sound corporate governance principles, which are aligned with the long-term economic interests of the Fund in question.
- **No abuse of minority shareholder position:** The Company refrains from any abuse of the position of minority shareholders. Like all other shareholders, minority shareholders have a duty of loyalty to fellow shareholders. These oblige shareholders to exercise their shareholder rights – particularly their rights of co-administration and supervision – in a manner that gives appropriate consideration to the business interests of the other shareholders. They may not use their voting rights at the AGM to achieve a special advantage. Exerting deliberate influence on the management board, supervisory board, a registered legal agent (holding a general power of attorney with a statutorily defined scope) or non-registered legal agent may give rise to claims for damages e.g. in accordance with section 117 of the German Stock Corporation Act (Aktiengesetz – AktG).



# Assenagon Guide

## Corporate Guidelines

### 5.3 Principles for information to be notified with respect to major holdings

If an investment fund has transferred the Voting Rights to a management company, the management company shall be the Appointed Voter and shall be the entity ultimately responsible for the notification of major holdings under the Transparency Law. The Management Company is then obliged to aggregate the relevant Voting Rights and holdings related thereto, irrespective of whether the portfolios are in different sub-funds of one single investment fund or in different investment funds.

The Company therefore applies the following principles for the reporting duties under the Transparency Law and Directive 2004/109/EC including supplements:

- **The Company acts as Management Company for funds under management and Voting Rights have been transferred to the Management Company:** Voting rights pertaining to the portfolio companies are aggregated for all funds under management and the Management Company performs all the reporting under the Transparency Law and other applicable transparency requirements for the Portfolio companies.
- **The Company acts as Management Company for funds under management but delegates the discretionary Investment Management to a third party:** Where Voting Rights are contractually re-transferred to one or more investment managers and such investment managers are free to exercise the Voting Rights at their discretion, independently of the Company, such delegates become "Appointed Voters" and thereby obliged to aggregate all holdings in the Investment Funds with its other holdings and perform all the duties related to reporting under the Transparency Law. The Company will not include such holdings in its reporting duties under the Transparency Law and other applicable transparency requirements for the Portfolio companies.
- **The Company acts as Investment Manager or as Execution agent for funds under management:** In case the Voting Rights are entirely delegated to the Company within the Investment Management Services, such holdings will be aggregated with the other holdings of the Company and subsequent reporting duties under the Transparency Law will be performed by the Company. In case the Company, as Investment Manager, is contractually obliged to follow the Policy of the delegating party and such policy does not foresee a delegation of Voting Rights to the Company, such voting rights are not to be aggregated with the voting rights of the portfolio companies of the Company, and consequently the Company will not include such holdings for its reporting duties under the Transparency Law and other applicable transparency requirements for the Portfolio companies.

## 6. Conflicts of interest

### 6.1 Identification of conflicts of interest relating to the exercise of voting rights

- **The Company acts as Management Company or Investment Manager or execution agent for funds under management and the exercise of voting rights has been delegated to the Company:** In such case the Portfolio Management unit of the Company is responsible for the receipt and monitoring of Corporate Events. For each corporate event, it is the responsibility of the assigned Portfolio Manager to perform an analysis of potential conflicts of interest for the exercise of Voting Rights. The Company monitors and manages conflicts of interest at Company level.
- **The Company acts as Management Company or Investment Manager and (sub) delegates investment management:** In such case the delegated Investment Manager is responsible for the receipt and monitoring of Corporate Events unless the delegation agreement does not foresee a delegation of Voting Rights. For each corporate event, it is the responsibility of the delegated Investment Manager to perform an analysis of potential conflicts of interest for the exercise of Voting Rights.

### 6.2 Escalation and reporting of conflicts of interest relating to the exercise of voting rights

Should a potential or confirmed conflict of interest be identified, the following principles should apply additionally to the general procedures outlined in the conflicts of interest policy:

- Such conflict of interest shall be reported to the Compliance officer of the Company. The Compliance officer will analyse the conflict of interest situation and decide if exercise of the voting right is allowed or not.
- No exercise of voting rights can occur until the Compliance officer has given its permission.

# Assenagon Guide

## Corporate Guidelines

In case further escalation is needed, the Compliance officer escalates to the Board of Directors of the Management Company. The Board of Directors is the highest instance for decisions regarding the exercise of voting rights.

### 7. Policy review and control of delegated services

The following principles apply for the maintenance of the policy:

- **Review:** This policy will be reviewed and updated at least each year or ad-hoc when needed due to new regulations being published or other changes to the work processes.
- **Approval:** A new and updated policy shall at all times be given to the Board of Directors for approval.
- **Publication:** The latest version of the approved policy shall be made available on the home page of the Company for the benefit of Investors and service providers.

Stewardship and exercise of voting rights, performed either by the Company itself or by delegate Investment Managers, shall be subject to regular controls. Such controls shall be performed according to the individual investment objectives of the fund and take into account how often and how important the exercise of the voting rights are for the full implementation of the investment strategy objectives.

The results of controls performed regarding the stewardship and exercise of voting rights shall be reported to the Board of Directors of the Company at regular intervals.