

**POLICY FOR EXERCISING VOTING
RIGHTS ON THE FINANCIAL
INSTRUMENTS OF THE MANAGED
UCITS**

2018



AZ FUND

MANAGEMENT SA

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1. Preface

AZ Fund Management S.A. (the "**Company**") is a Management Company authorised under Chapter 15 of the amended Law of 17 December 2010 on undertakings for collective investment (the "**2010 Law**") and Chapter 2 of the amended Law of 12 July 2013 on alternative investment fund managers (the "**2013 Law**"). It acts as the designated Management Company of AZ FUND 1 and AZ MULTI ASSET, two Luxembourg undertakings for collective investment in transferable securities ("**UCITS**") within the meaning of Directive 2009/65/EC of the European Parliament and of the Council on the coordination of laws, regulations and administrative provisions relating to UCITS (the "**UCITS Directive**") and as alternative investment fund manager of AZ PURE CHINA and ESKATOS, two Luxembourg specialised investment funds qualifying as alternative investment funds ("**AIF**") within the meaning of Directive 2011/61/EU of the European Parliament and of the Council on alternative investment fund managers (the "**AIFM Directive**"). The Company further acts as Management Company of AZ FUND K, a Luxembourg specialised investment fund not qualifying as an AIF.

UCIs are considered as shareholders of listed companies in regulated markets and can play a major role in determining the governance guidelines of the companies under investment. Participation in shareholders' meetings is one of the tools available to managers to contribute positively to management results in the exclusive interest of subscribers, in compliance with the objectives and investment policies of each.

The purpose of this Policy is to define the strategy for the exercising of voting rights pertaining to the financial instruments in UCIs set up and/or managed by AZ Fund Management S.A. ("**AZ**"), even with a delegation, including the management of conflicts of interest and issues related to inside information.

Measures to ensure awareness, independence and discretion in the exercise of voting rights, as well as organisational and procedural facilities aimed at pursuing the exclusive interest of the UCIs and the adequate management of conflicts of interest envisaged by the Policy are inspired by the principle of proportionality, and take into account, first of all, the reduced participation of AZ in the shareholders' meetings of listed companies of which the UCIs hold financial instruments and engagement initiatives (individual and collective) in general, by virtue of the absence of significant holdings in the managed collective portfolios and, in general, of significant concentrations from specific issuers.

2. Legislative references and scope of application

The reference regulations on the exercise of rights linked to the financial instruments of managed UCIs are the following:

1. Italian Law 17 December 2010 on undertakings for collective investment from Luxembourg ("**2010 Law**"),
2. The amended Law of 12 July 2013 on alternative fund managers (the "**2013 Law**").
3. Article 23 of CSSF Regulation 10-4 concerning the transposition of the European Commission Directive 2010/43/EU of 1 July 2010, implementing the UCITS Directive concerning organisational requirements, conflicts of interest, conduct rules, risk

management and relations between custodian banks and management companies ("**CSSF Regulation 10-4**");

4. Para. 5.5.10 of the CSSF Circular 18/698 authorisation and organisation of investment fund managers governed by Luxembourg law ("**CSSF Circular 18/698**"),
5. Art. 37 of the Delegated Regulation of the European Commission no. 231/2013 of 19 December 2012 supplementing the AIFM Directive with reference to exemptions, general operating conditions, custodian banks, leverage, transparency and supervision (the "**AIFM Regulation**").

3. Monitoring

The monitoring and assessment of shareholders' meeting call notices refers to companies for which the value of the investment instruments is considered significant compared to the assets of the UCIs managed by AZ and with respect to which the amount of the investment is suitable to constitute an effective instrument for the pursuit of the interests of UCIs and obtaining concrete benefits for investors.

The monitoring activity is carried out through the use of info-providers and other information channels available to AZ. In detail, the Investment Committee examines the agenda of the Shareholders' Meeting to assess the presence of particularly significant issues related to the protection of minority interests, the proposal for capital transactions, the approval of the financial statements, the appointment of members of corporate bodies and amendments to the by-laws. Furthermore, as part of the assessment carried out by the Committee, all matters that may represent conflicts of interest or of corporate social responsibility of the issuer are considered to be important.

4. Assessment

The assessment of whether AZ should participate in the meeting and exercise voting rights is guided by specific criteria. In particular, AZ may decide not to exercise its voting rights given one or more of the following conditions:

- The shares held by AZ are destined to short-term investments, so that the final outcome of the meeting would not have enough time to affect the management results;
- The value of the shares held by AZ, despite being significant within the company assets, is minor or not important if compared to the overall assets of each Fund holding them;
- It is not considered necessary to block the security in the period prior to the meeting, in order not to limit its use and the possibility of taking advantage of possible investment opportunities;
- Any other condition that, according to a specific assessment on a case-by-case basis, may render the exercise of voting rights irrelevant.

5. Regulatory principles of voting

AZ consciously exercises its voting rights for the instruments pertaining to the UCIs managed and for their exclusive benefit. To this end, AZ ensures that the voting rights are exercised in accordance with the objectives and investment policy of each UCI concerned, in compliance with the principle of autonomy and separation of their respective assets.

6. Formalisation of the decision

Following the assessment, any decision regarding participation in the shareholders' meeting of the listed issuer and the content of the voting right to be expressed is formalised with a note specifying:

- The arguments that led to the participation;
- The person delegated to take part in the meeting;
- The votes to be expressed during the meeting;
- The specific requests to be made during the meeting;
- The presence of any conflicts of interest and prevention or management measures.

The Company shall formalise and file the documentation describing the decision-making process followed for exercising its voting rights and the reasons behind the adoption of such decisions.

7. Conflicts of interest

In order to ensure that voting rights are always exercised in the exclusive interest of the UCIs, AZ carefully assesses situations that may give rise to potential conflicts of interest. This activity and the corresponding prevention and management measures are governed by the provisions contained in the Conflicts of Interest policy implemented by AZ. Furthermore, if situations of this kind are found to exist, AZ will abstain from exercising its voting rights. The latter is in fact considered the most appropriate measure for the correct prevention of risks connected with the existence of conflicts between AZ (in- house or in the interests of third parties) and the UCIs.

AZ considers the exercise of its voting right for financial instruments pertaining to the managed UCIs issued by the parent company or by other Group companies and traded on regulated markets as a conflict of interest.

8. Confidentiality and oversight of inside information

AZ guarantees the segregation of the inside information of the Group's listed issuers in order to prevent the circulation of information between them and the functions of AZ or the parties who exercise voting rights on behalf of the managed UCIs. In this regard, reference should be made to the measures envisaged by the Policy on the Management of Inside Information.

9. Independence

AZ exercises voting rights for the financial instruments pertaining to the UCIs managed, also via proxy, independently of the parent company. It therefore enjoys complete discretion in the exercise of its voting rights, while always respecting the principles and criteria set forth in this Policy. It is forbidden for the parent company to issue direct or indirect instructions for their exercise and to interfere in any way in the performance of the activities governed by the Policy. AZ and the parties involved from time to time are also forbidden from receiving or complying with the aforesaid directions, if they exist.

The organisational structure of AZ and the Azimut group guarantees the physical and functional separation between AZ and the parent company in order to allow the independent exercise of the voting rights pertaining to the investments held.

The members of the Investment Committee in charge of decisions regarding the exercise of voting rights, as well as any persons who may be delegated to participate in the meeting of listed issuers, act independently.

10. Transparency towards investors

The procedures adopted by AZ require that any participation in the meeting be duly motivated and that the whole voting process be accurately formalised.

Furthermore, AZ undertakes to guarantee to the investors the transparency of the actual methods of exercising its voting rights and, for this purpose, it shall publish in the Funds' management reports the information on the main assemblies in which these rights have been exercised.

The possible votes cast without respecting the principles established by this policy shall be explicitly signalled. Further information may be requested directly from AZ.