

# **VIG Befektetési Alapkezelő Magyarország Zrt.**

## **Engagement Policy**

VALID FROM: 03.06.2024

## **1. INTRODUCTION**

### **1.1. Shareholder engagement, as part of the investment strategy**

- [1] VIG Befektetési Alapkezelő Magyarország Zrt. (hereinafter: Fund Manager), acting for the benefit of the investment funds and asset portfolios it manages, in the context of its shareholder engagement also acts in interests of its clients and/or investors.
- [2] The Fund Manager complies with the legal requirement to develop a shareholder engagement policy as set out in Section 9 of Act LXVII of 2019, in the framework of this regulation.
- [3] The Shareholder engagement policy provides the framework for the Fund Manager's actions and engagement to support the performance of its investment targets, thereby acting in accordance with the Fund Manager's obligations to its clients and/or investors.
- [4] The Fund Manager shall annually review the engagement policy, to ensure that it reflects its latest engagement practices.

### **1.2. Subject of the Policy**

- [5] This engagement policy focuses on the issuers of financial instruments with voting rights in the funds and portfolios managed by the Fund Manager (hereinafter: Company).
- [6] The scope of the engagement policy covers companies listed or traded on a regulated market in an EEA Member State, to the extent that the Fund Manager is entitled to exercise voting rights in the company concerned.

## **2. MONITORING OF COMPANIES INVOLVED IN THE INVESTMENT**

- [7] As a prudent asset manager, the Fund Manager monitors its investments within the managed portfolio, including shareholding investments representing equity participation.
- [8] Monitoring in the case of equity investments is carried out, inter alia, by analysing the issuers' publicly available documents, with special regard to annual and interim financial reports and accounts. The regular monitoring of equity investments covers business plans and/or strategy, financial and non-financial performance, risks, capital structure, environmental and social impacts and corporate governance.
- [9] The overall objective of the Fund Manager in its shareholder engagement is to ensure that the companies in which the portfolios invest are operating in accordance with the Fund Manager's investment objectives.

## **3. DIALOGUE WITH COMPANIES INVOLVED IN THE INVESTMENT**

- [10] One of the Fund Manager's usual methods of interaction with the companies involved in the investment is ongoing communication, in the form of regular meetings, conferences and telephone conversations with the management of the companies, during which the Fund Manager's investment professionals discuss and raise questions on operational, strategic and other management issues and, where appropriate, provide their own views and comments in the best interests of the Fund Manager's clients.
- [11] In addition, where the Fund Manager's comments have not been adequately addressed, the Fund Manager may consider holding a private discussion with the Chairman or an independent senior manager or other members of the Board of Directors.

#### **4. EXERCISE OF VOTING AND OTHER RIGHTS ATTACHED TO SHARES**

- [12] The Fund Manager is typically represented at general meetings of joint stock companies, when its aggregate voting power exceeds 5% or when any of the Fund Manager's portfolios have significant exposure to the shares of that company.
- [13] The Fund Manager generally adopts a supportive shareholder stance towards the management of companies involved in the Fund Manager's investments.
- [14] The Fund Manager shall consider the resolution proposals submitted by the shareholders of the companies specified above.
- [15] The Fund Manager shall use its voting rights principally to support the interests of its clients and/or investors as shareholders. In most cases, this also means that companies listed on a stock exchange in Central and Eastern Europe must comply with the rules approved by the relevant stock exchange.
- [16] Where the aggregate voting power of the portfolios represented by the Fund Manager exceeds 5% and it has the power to vote on resolutions at general meetings, it may also oppose specific resolution proposals, if it considers that such action is in the interest of its clients and/or investors.
- [17] In the event that the Fund Manager expresses a reservation against a particular resolution proposal, it will endeavour to express its concerns to the company's management and/or other shareholders prior to the vote, if such intervention is in the interest of its clients and/or investors. If concerns persist thereafter and the Fund Manager believes that its voting efforts may be effective, it will vote against the proposal concerned.

#### **5. COOPERATION WITH OTHER SHAREHOLDERS**

- [18] Where necessary, the Fund Manager shall cooperate with other investors to increase the collective voting power of its shareholders, subject to the legal framework.
- [19] In order to cooperate with other shareholders, the Fund Manager may also use an external service provider. Upon the entry into force of this Policy, the Fund Manager may also engage with shareholders through the ISS ESG's Collaborative Engagement Services service provider in companies in which it has a marginal individual stake but sees the potential for effective engagement with multiple investors.

#### **6. COMMUNICATION WITH RELEVANT STAKEHOLDERS IN THE COMPANIES INVOLVED IN THE INVESTMENT**

- [20] Relevant stakeholders include professional working groups, credit rating agencies, public authorities and NGOs. The Fund Manager will not typically engage in dialogue with relevant stakeholders in the companies involved in the investment, but may do so on a case-by-case basis where justified, which should not result in a breach of the relevant regulations.

#### **7. MANAGING ACTUAL AND POTENTIAL CONFLICTS OF INTEREST RELATED TO THE ENGAGEMENT**

- [21] Conflicts of interest may arise where the Fund Manager invests in a company with which it has other business relationships or where it holds both bonds and shares in the same company on

behalf of a portfolio under management (as the interests of bond investors are not always the same as those of equity investors).

- [22] In the event that a potential conflict of interest arises, the Fund Manager shall make every effort to manage it appropriately, so as to act at all times in the best interests of its clients and/or investors and to avoid any prejudice to interest or discrimination to the detriment of any client portfolio.
- [23] The general conflict of interest principles of the Fund Manager are set out in the Fund Manager's Conflict of Interest Policy, which is available on the website under the menu item [Fund Manager's Documents under » VIG | Asset Management \(vigam.hu\)](#).

## **8. EXPECTED BASIC PRINCIPLES**

### **8.1. Structure of the Board of Directors of companies involved in the investments**

- [24] The Fund Manager will seek to establish an effective board structure in the companies in which it invests, ideally with independent directors overseeing the executive management. In most cases, companies can achieve this by following the recommendations based on the relevant corporate governance principles and by ensuring the independence of the board.
- [25] The Fund Manager encourages the election of a sufficient number of independent directors who have no significant relationship with the company, its executive management or key shareholders.
- [26] The Fund Manager will not generally support decisions that do not follow corporate governance recommendations unless the company clearly justifies how its decision is in the long-term interests of shareholders.
- [27] The companies involved in the investment should ideally publish their guidelines on the independence of the governing body and the supervisory board, as well as the independence criteria applied.
- [28] Further efforts by the Fund Manager should focus on the separation of the roles of CEO and chairman. In order to separate the responsibilities of the chairman of the governing body and the CEO, their responsibilities must be outlined in the company's constitutional documents (articles of association or the rules of procedure of the board of directors). In general, the Fund Manager will vote against proposals to merge the roles of Chairman and CEO. Where the roles are already combined in one person, companies should ensure that the board of directors is appropriately balanced. The key here is the proportion of independent directors on the board. In deciding whether to support the combined role, the Fund Manager will take into account the strength of the non-executive directors, the role of the senior independent directors and the voting weight of the chairman.

### **8.2. Taking sustainability risks into account**

- [29] The Fund Manager will give particular consideration to sustainability risks when deciding whether to vote on a company's proposals submitted to the General Meeting, in particular for companies whose shares are also held in investment funds managed by the Fund Manager in accordance with Articles 8 and 9 of the SFDR.
- [30] The Fund Manager also seeks an active dialogue with the management of the companies involved in order to identify weaknesses in the management of environmental, social and corporate governance aspects.

## **9. PROVISION OF INFORMATION**

- [31] The Fund Manager shall annually provide information on the implementation of this engagement policy, as required by Act LXVII of 2019, with the content specified by the applicable legislation, depending on the level of the engagement.
- [32] The Fund Manager shall, publish this engagement policy and the information on its implementation on its website ([Fund Manager's documents» VIG | Asset Management \(vigam.hu\)](#)), in accordance with the relevant legal provisions.
- [33] The Fund Manager shall inform its institutional investors with which it has concluded a portfolio management agreement, in writing and on an annual basis, on how its investment strategy and its implementation comply with the agreement and how it contributes to the medium and long-term performance of the institutional investor's assets.

***Approved by the Fund Manager's Management Board***