

# Engagement and Voting Policy

Approved by / When	Board members of company /
Owner (/ Editor)	Investment Management Unit
Regulation Level & Type	Policy
Valid from (/until)	From 01-07-2022
Confidentiality level	Public

## Implementation

Scope of training	
Importance for newcomers	
Need for translation	Yes

## 1 Introduction

### 1.1 Purpose of the document

- (1) This policy sets out the principles & guidelines, as well as the related actions, which the UADB “INVL Life” (the “Company”) complies with in order to meet its obligations with respect of shareholder engagement and exercise of voting rights.

### 1.2 Application

- (2) This policy applies to those financial instruments in which the assets of the investment baskets managed by the Company or own Company’s funds are invested.
- (3) The members of the Company's Investment Committee, employees of the Investment Management Division and other employees of the Company participating in the exercise of shareholders' rights regarding the financial instruments constituting the assets of the Investment baskets managed by the Company must comply with the provisions of the Policy.
- (4) The provisions of the Policy shall apply in full to the rights of shareholders in shares of public limited liability companies traded on a regulated market. For other financial instruments, the provisions of the Policy shall be binding as far as the exercise of voting rights is concerned. In all other cases, the provisions of the Policy are not binding, but apply on a best effort basis, taking into account the characteristics of the market, the issuer and the financial instrument and other relevant circumstances.

## 2 Voting & Engagement

### 2.1 General Provisions

- (5) The Policy has been prepared in accordance with the Law on Securities of the Republic of Lithuania, the Law on Markets in Financial Instruments of the Republic of Lithuania and Directive (EU) 2017/828 of the European Parliament and of the European Council.
- (6) The Company shall exercise the shareholder rights granted by the financial instruments at its own discretion, regardless of the parent company of the Company. The Company has put in place organizational and technical measures to ensure that information on decisions regarding the exercise of shareholder rights is not passed on or otherwise made available to the parent and controlled company.
- (7) By implementing the provisions of the Policy, the Company seeks to ensure that the shareholder rights granted by the financial instruments constituting the assets of the managed Investment baskets are exercised exclusively in the interests of the Investment baskets.
- (8) The Company manages the assets of the Investment baskets in order to achieve the best results in the long run. The company takes the view that good corporate governance practices based on the principles of socially responsible and environmentally sustainable operations help to achieve this goal. The company believes that the implementation of such principles in the company helps to maximize long-term value for shareholders.
- (9) The Company's investment strategy has several features that define its role as a shareholder:
  - a. *Activity.* On-site visits to investee companies and other similar tools help to get to know the investee company better and engage more constructively on issues that are important to shareholders.

- b. *Long-term value creation.* Preference is given to long-term value creation of the company, not focusing only on short-term results.
  - c. *Responsibility.* A fundamental bottom-up analysis incorporates and assesses the risks and opportunities associated with socially responsible and environmentally sustainable factors.
- (10) The scope of participation in the activities of investee companies, depends on the size of the investment, issues, opportunities to have a real influence on the relevant decisions, possible costs, other circumstances relevant to the specific situation.
- (11) The Company generally makes more active use of shareholder rights in cases where the investments are related to investments in the Baltic States, or the votes held represent a significant part of the total number of financial instruments issued by the issuer (usually more than 5%).
- (12) In cases where investments in shares of public equities are made indirectly, i.e. through collective investment undertakings or other financial instruments, the implementation of the provisions of the Policy is limited. In this case, the Company first assesses whether the manager of the collective investment undertaking or other financial instrument has developed and applies an engagement policy and makes every effort to implement the issue of participation in this financial instrument as closely as possible to this Policy.

## 2.2 Exercise of Voting Rights

- (13) After assessing the information provided by the Custodians or Account Managers of the Investment baskets, available economic indicators, potential risks, strategic and other factors, the decision on the exercise of voting rights granted by the financial instruments is made by the Company's employees responsible for portfolio management (the "Managers").
- (14) The Company considers that it is very important to participate in shareholders' meetings where issues important to the Company's operations are resolved, such as:
- a. management appointment;
  - b. streamlining internal control processes;
  - c. approval of financial results;
  - d. selection or replacement of external auditors;
  - e. review of the bonus and incentive system;
  - f. amendment of the investee company's articles of association and / or other important documents.
- (15) In cases when the number of votes held by the Investment baskets managed by the Company is at least 5% of the total number of votes at the shareholders general meeting of one issuer, the Company may abstain from voting if it is decided that the Company does not have sufficient information and clear arguments as to which voting option would best suit the interests of the Investment baskets.
- (16) In cases when a decision that may have a material effect is considered, change of legal personality, reorganization, liquidation, changes in capital, stock options and other similar issues) in order to ensure adequate protection of the interests of the Investment baskets, such decisions may be voted against.
- (17) The exercise of voting rights shall be made to the exclusive benefit of the Investments baskets and its investors and to increase the long-term value of the assets and to avoid short-term fluctuations in the value of the assets.
- (18) The exercise of voting rights shall comply with the investment objectives and strategies of the Investment basket or the Client's portfolio management agreements. The principles of good governance shall also be taken into account:
- a. the rights of minority shareholders are not violated;
  - b. ensuring the highest possible transparency requirements;
  - c. ensuring equal dissemination of information;
  - d. promoting long-term goals;
  - e. environmental and social responsibility impact are assessed.

- (19) If the Company decides to exercise the voting rights granted by the financial instruments of the Investment baskets managed by the Company, it shall exercise this right in accordance with the restrictions and requirements established by legal acts and ensuring compliance with the voting procedure issued by the issuer (including but not limited to the deadlines by which these rights may be exercised).
- (20) The Company may authorize another person to vote on behalf of the Investment baskets managed by the Company only after ensuring that the authorized person exercises the voting right in accordance with the Company's instructions and does not violate the relevant investment strategy of the Investment baskets.

## 2.3 Measures and Procedures to Monitor Investee Companies

- (21) The Company operates in such a way as to ensure proper monitoring of corporate events of issuers.
- (22) As the financial instruments of the Investment baskets are held in the depository or on behalf of the depository with other account managers, the Company may not have access to all the information received by the direct account managers of financial instruments. The Company monitors the issuer's material events on the basis of financial instruments account management agreements concluded with depositories.
- (23) The depository shall perform the regular monitoring necessary for the proper monitoring of material events of the Company and shall participate in the international exchange of information with other depositories, stock exchanges, clearing houses and other entities operating in the market of financial instruments.
- (24) The depository shall transfer the available information on material events of the investee companies to the Company as defined in the respective agreement.
- (25) In addition, the Company monitors the overall performance of the investee companies, including the business strategy, financial and non-financial performance, risk, capital structure, social and environmental impact and corporate governance. The activities of the companies are monitored and evaluated in accordance with the criteria and measures specified in the Company's Investment Baskets Management Policy.
- (26) If the Company determines that the investee company whose financial instruments have been acquired by the Investment baskets does not comply with the principles set out in the Policy or the actions performed by the investee company do not comply with good governance practices and shareholder expectations, the Company may take the following actions:
- a. contact the investee company's management to persuade it to make changes to remedy the current situation;
  - b. seek to participate in the activities of the company by proposing or delegating its representatives to the management or supervisory bodies of the company or to promote the appointment of independent members;
  - c. consider selling available financial instruments.
- (27) The sale of financial instruments is used only as a last resort, when the Company, considering the real possibilities, fails to change the investee company's bad practices or to achieve significant progress. The Company must make the maximum, but realistically available, effort for changes in the investee company that would improve the position of shareholders and implement the key principles of the Policy.

## 2.4 Engagement

### 2.4.1 Dialogue

- (28) The Company strives to maintain contact with both investee companies and their managers as much as possible. In this way, it is possible to delve into the investee company's activities and to identify and draw attention to problems that are not in line with the Policy and do not meet the best

interests of the Investment baskets. Dialogue with investee companies and their managers may be maintained through face-to-face meetings, telephone conferences, shareholders' meetings and any other similar means.

#### **2.4.2 Communication with Other Shareholders**

- (29) The Company may, at its discretion, join initiatives proposed by other shareholders, or initiate issues to which other shareholders would join. Such cooperation may include coordination, joint operating agreements and other forms of cooperation.
- (30) In co-operation with other shareholders, it must be ensured in all cases that the provisions of the Policy are not violated, and the best interests of the Investment baskets are ensured.

### **2.5 Preventing or managing potential conflicts of interest**

- (31) The Company is aware that potential or actual conflicts of interests may arise as part of shareholder engagement activities. The Company acts in order to prevent conflict of interest.
- (32) The Company has policies in place for the purpose of taking all reasonable steps to prevent conflicts of interests. The latest and most current version of the Conflict-of-interest policy is published on the website [www.invl.com](http://www.invl.com).
- (33) In the event of a conflict of interest, the best interests of the Investment baskets shall be ensured.

## **3 Final Provisions**

- (34) The current version of the Policy is published on the Company's website.
- (35) The Company shall, no later than within 4 months from the end of the previous year, publish on its website a report on how the provisions of the Policy have been implemented and what actions have been taken. This report does not disclose information on votes that are considered insignificant due to the number of shares held or the subject matter of the voting.
- (36) The policy is approved and (or) changed by the resolution of the Board of the Company.
- (37) The Head of the Investment Management Division is responsible for the proper implementation of the provisions of the Policy and for the periodic review and updating of the Policy.