



# **Engagement Policy**

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## Document history

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## Table of Contents

1	Definitions .....	4
2	Introduction .....	5
3	Investment approach and monitoring of portfolio companies .....	5
4	Exercise of voting rights and other rights attached to shares .....	6
5	Co-operation with other shareholders.....	7
6	Communication with relevant stakeholders .....	7
7	Management of potential and actual conflicts of interest .....	7
8	Securities Lending .....	8
9	Stewardship.....	8

## 1 Definitions

Abbreviation	Definition
AIF	Alternative Investment Fund(s) or sub-fund(s) thereof managed by AOCorp
AIFM	Alternative Investment Fund Manager, as defined in the AIFM Law
AIFM Law	Luxembourg Law of 12 July 2013 on alternative investment fund managers, as amended
AIFM Regulation	Commission Delegated Regulation (EU) n°231/2013 of 19 December 2012 and/or all other applicable laws, regulations, circulars and other binding rules and guidelines.
AOC	Active Ownership Group
AOCorp	Active Ownership Corporation S.à r.l.
CSSF	The Luxembourg regulator of the financial sector (Commission de Surveillance du Secteur Financier)
ESG	Environmental, Social, Governance
Law of 1 August 2019	Luxembourg Law of 1 August 2019 transposing Directive (EU) 2017/828 and amending the Luxembourg Law of 24 May 2011 on the exercise of certain shareholder rights

## 2 Introduction

AOCorp is an AIFM authorised by the CSSF in Luxembourg under Chapter 2 of the AIFM Law, the AIFM Regulation and all other relevant and applicable Laws, Regulations and CSSF Circulars in their currently valid version.

AOCorp has its registered office at 19, rue de Flaxweiler, L-6776 Grevenmacher and is registered with RCS under no. B 237.258.

AOCorp was granted its AIFM license on 13 August 2019, and is listed under CSSF register number A00002485. The license was extended on 08 March 2022 to include the Private Equity investment strategy.

Under the AIFM Regulation and relevant European regulations, an AIFM must have a solid internal governance system to ensure its activities and risks are managed responsibly. This means the governance must support careful and effective oversight of all operations and risks. To meet this requirement, the AIFM must follow the 'three lines of defense' model in its internal setup. To meet the above requirements AOCorp has established, implemented and maintains this engagement policy (“**Policy**”) setting out the legal and regulatory requirements, as well as the related actions, which the AIFM complies with, in order to meet its obligations with regard to shareholder engagement and to adhere to the requirements set out in Art. 1 *er* of the Luxembourg Law of 1 August 2019.

The Policy will be reviewed on a regular basis, at least once a year or event driven.

## 3 Investment approach and monitoring of portfolio companies

At AOC we are looking for fundamentally good, but undervalued businesses that we understand and where we can help to unlock value potential with our extensive industrial and financial expertise. Investment opportunities are analysed through an in-depth company due diligence process. This granular and meticulous work allows us to gain a deep understanding of the companies we invest in.

The branding “active ownership” already describes our investment approach in a nutshell:

It is our main strategy to acquire significant minority stakes in companies, and to run a concentrated portfolio consisting of limited core investments, each normally making up between 5% and 25% of an AIF’s invested capital, however, this percentage may be higher for specific fund, such as the Active Ownership European Opportunities Fund. Based on this strategy, we intend to exert, directly or indirectly, significant influence on a portfolio company and its management. Our main targets for this strategy are publicly listed companies in the universe of small- and mid-cap markets, but unlisted private equity companies may be acquired as well.

To meet investors’ needs we may arrange for Feeder AIFs investing in a Master-Fund, or a Co-Investment AIF, considering single investments from our main strategy in accordance with the special interests of the investor.

We constantly engage with our portfolio companies and continuously monitor our engagement results and performance. As such, dialogue with portfolio companies before and during the period of our engagement forms an integral part of our investment process.

We usually strive to be directly represented on the board of our core portfolio companies, or have an appointed representative on the board, to have a direct line of communication with management and enabling us to pursue and implement our engagement strategy with the respective company.

Our portfolio managers arrange to regularly meet with the management and/or boards of our portfolio companies. The areas of discussion typically include, amongst others: company strategy and its execution, operational, financial and non-financial performance and risks, environmental, social and corporate governance (“ESG”) issues and commitments, compliance as well as performance and capital structure.

Our analysts regularly, at least on a quarterly basis, perform fundamental research and conduct quantitative and qualitative assessments of the portfolio companies including monitoring of company news-flows, reviewing periodic company reports, holding meetings with industry analysts and using external databases.

Overall, our active investment approach and our board engagements enable us to engage with company boards and management in a direct way not available to passive or minority investors. Whilst there is not a predetermined agenda for our active engagements, and each case is unique, our approach typically focuses on improving corporate governance and improving value creation. Our work on the board of companies includes being an active and engaged owner. This can include supporting management with the execution of value creation plans, optimizing the board and senior management, and alignment of management incentives.

#### **4 Exercise of voting rights and other rights attached to shares**

Irrespective of investing in listed or private equity companies, the exercise of shareholders’ rights forms an essential part of the proper management of our AIFs. By exercising voting rights we inter alia can influence the development of our portfolio companies and positively steer their increase in value sustainably.

When attending shareholder meetings we act in the best interest of the investors, while staying independent from third party interests, avoiding conflicts of interest and respecting the integrity of the market. If possible our portfolio managers attend shareholder meetings physically in person and voting rights are exercised directly without the use of proxies. How voting rights will be exercised will be assessed on a case-by-case basis after having conferred with the analyst in charge of the respective portfolio company, in line with the investment objectives and policy of the AIFs and depending on the strategy pursued for the respective portfolio company. In any case we want our companies to grow sustainably and to adhere to good corporate governance standards.

If shareholder meetings are not attended physically in person, which may be the case for portfolio companies in which only a minor stake is held, we either exercise voting rights

by proxy voting or abstain from a vote, after having conferred with an analyst in charge of the respective portfolio company.

Improving governance is at the core of our investment approach and has been part of our strategy since inception. We always exercise our voting rights in support of our improvement initiatives. We typically enhance governance by strengthening board and management representation by the following dimensions:

- Internationalization in order to reflect the company's footprint
- Diversity in age, gender, nationality, background and thought
- Experience relevant to the direct business line
- Management incentivisation and accountability

Details on exercising voting rights are set-up within the Voting Rights Policy of AOCorp.

## **5 Co-operation with other shareholders**

We prefer to engage bilaterally with our AIF's portfolio companies; however, we may collaborate, where appropriate, with other shareholders where such actions are deemed to be in the best interest of the AIF's investors and when not in violation of anti-trust or any other laws or AOCorp Policies, and where there are no conflicts of interest that could result in legal, regulatory or reputational risks to our AIF's, AOCorp or AOC.

## **6 Communication with relevant stakeholders**

Our portfolio management and analysts regularly visit relevant conferences and symposiums on topics related to the business activities of our (potential) core portfolio companies.

In order to obtain further information and views on a portfolio company our portfolio management and our analysts may communicate with a portfolio company's relevant stakeholders where such actions are deemed to be in the best interest of the AIF's investors and when not in violation of anti-trust or any other laws or AOCorp policies, and where there are no conflicts of interest that could result in legal, regulatory or reputational risks to our AIF's, AOCorp or AOC.

## **7 Management of potential and actual conflicts of interest**

Our Conflicts of Interest Policy is publicly available on our website. This Policy is regularly reviewed to ensure it remains up-to-date, relevant and effective for our investment strategy.

## **8 Securities Lending**

As a general rule our securities are not available for securities lending. We retain the economic and legal ownership of our shares at any time making it therefore impossible to lend our securities to third parties.

## **9 Stewardship**

Stewardship can be seen as activities and actions undertaken by investors to maximise long-term company value, including the value of economic, social and environmental assets, impacting clients' and beneficiaries' interest.

At AOC, our investment philosophy places us in a unique position to implement stewardship, as we foster close relationships with our portfolio companies. Having a seat in the board of our companies, offers us both access to information and the ability to support business transformation, ensuring thus the value appreciation of the investee company over time. We engage on a variety of topics from financial, social and environmental, with the aim to support the investee's company long term sustainable success.