

# Polus Capital Management Group Limited

## Equity Investments (Control and Voting) Policy

November 2022

## Version Control

Version	Date	Change/ Update to Policy
1.1	October 2021	Post-merger creation adopting Bybrook legacy policy
1.2	November 2022	Updated for change to legal entity name and branding

## Introduction

The general principles of this policy are applicable to Polus Capital Management Group Limited ('PCMGL') and all of its group entities (See Appendix A), together referred to as 'Polus' save where the context otherwise requires. PCMGL is majority owned by Mediobanca S.p.A ("Mediobanca").

Polus provides investment management services to the funds that it manages (the "clients"). This Equity Investments (Control and Voting) Policy (this "Policy") sets out how Polus undertakes its stewardship and shareholder engagement across its long equity investments via equity or equity-like securities.

Polus interprets its fiduciary duty to the investors in the clients as an effort to maximise the value of their investments over the long term as well as the short-term. This Policy sets out how the firm fulfils its responsibilities and, in particular, sets out information on how the firm:

- acquires equity interests;
- integrates shareholder engagement in its investment strategy;
- monitors investee companies;
- conducts dialogues with investee companies;
- exercises voting and any other shareholder rights;
- exercises board or management appointment rights;
- co-operates with other shareholders; and
- communicates with relevant stakeholders.

## Acquisition of equity interests

### General

Before deciding to make an investment, the investment management team will research the investee company being considered. Where possible, the investment team will meet with the investee company management to assess certain indicators of possible future success. This could include:

- current valuation of stock;
- investee company's business model sustainability;
- potential risks to the investee company and its industrial sector;
- potential for the business growth of the investee company; and
- the alignment of the investee company with the interests of its shareholders.

Any rights attaching to Polus' equity investment will be customary for the nature and size of the investment. Polus' ensures that all investee companies are run by experienced management teams, operate as independent business units and are not reliant on Polus' infrastructure, expertise or management.

The firm does not incorporate new Polus-operated or managed companies in order to operate or hold investee companies. The firm may consider incorporating new companies in order to hold investee companies, only where such new company subsequently forms part of the investee company structure and is managed and operated by the investee company group and management.

### Minority positions

Polus is not an activist equity investor and does not actively seek out minority equity positions in order to drive company governance/management. Minority equity positions are usually acquired as set out below:

- In order to provide an additional return component as part of a mostly debt focused investment. Rights are focused on fundamental economic protections, information required to monitor the investment and limited negative rights. Polus does not take extensive positive rights nor an active involvement in operational matters, which should be led by the portfolio company management and/or the majority shareholder.
- Equity distributed as part of a restructuring. Where equity is being provided as part of a restructuring process, the firm aims to ensure to the extent possible that the holding is liquid, rights

are customary for a holding of the relevant size and nature and that the firm has access to information to monitor its investment. The company should continue to be managed and operated by its management and directors.

## Majority positions

At any time Polus may own a number of majority interests in its investee companies, ranging anywhere between a 50% and 100% shareholding (or the equivalent in other equity or equity-like instruments). These investments may be acquired through a variety of methods, from direct acquisitions of investee companies which fit the Polus long equity investment strategies, through to a restructuring process or otherwise. In some instances Polus when making the initial investment may not have purchased instruments which are controlling instruments, but post acquisition they may become such.

A majority shareholding position gives certain rights to Polus either under applicable law (jurisdiction specific) or under negotiated shareholder agreements (where there are other shareholders). However, Polus' aim is to ensure that it has access to information, negative consent rights to the extent necessary on an investment-by-investment basis and an ability to transfer and/or dispose of the investment as freely as possible.

Polus does not actively direct the governance or management of an investee company. Polus may hold rights which would enable it to do so if deemed necessary to protect the value of the investment but defers to management and the board(s) of directors to be responsible for the day-to-day operations of the investee company. Please refer to section 7 for more information on management and board positions.

Integration of shareholder engagement in Polus' investment strategy

Polus' Chief Investment Officer (CIO) responsible for distressed debt and special situations, a professionally qualified investment manager, manages these investments. The research analysts are responsible for maintaining close engagement with the relevant investee companies which includes the maintenance of relations with management and other shareholders.

The level of engagement will tend to be proportionate to Polus' clients' significance as shareholders. As a result, the level of engagement may well be more limited where companies are large in comparison to the size of Polus' investment and may be more significant where Polus clients have a significant shareholding or Polus has a specific expertise with respect to a company or industrial sector.

## Monitoring investee companies

As part of its investment process, Polus undertakes research and ongoing monitoring of the companies in which it invests to assess the potential of providing long-term returns. Both the investment managers and research analysts carry out analysis of potential investments and ongoing monitoring which may focus on the investee company's strategy, performance and risks faced and its commitment to corporate governance and quality and experience of management.

Polus also monitors the public statements of investee companies through financial information platforms such as Bloomberg, financial statements and regulatory announcements, reports and accounts, results meetings and capital markets days.

Polus seeks to integrate environmental, social and corporate governance (ESG) considerations into its investment process. The ESG review approach is applied to some of Polus' existing investments. In this regard, there are a number of areas within an investee company's strategy that are taken into consideration including proposed acquisitions/disposals and other business planning that may affect both the investee company's value and risk. One purpose of Polus' investment research is to obtain a better understanding of the investee's company balance sheet and potential financial performance.

Polus holds regular Investment Committee meetings where the investment team and the CIO review and discuss potential and existing investments. The investment team may employ differing strategies when conducting monitoring or engaging with the investee companies.

## Engagement with investee companies

Polus' investment strategy is such that its clients are invested across a variety of securities throughout the capital structure and, as a result, its level of engagement with investee companies is somewhat limited. However, where Polus is able to engage with its investee companies, senior members of Polus' investment team, all of whom possess high levels of financial experience and expertise, conduct the engagement.

Where Polus holds a significant or controlling stake in an investee company, its level of engagement may be increased. However, such engagement is to monitor that the actions taken by the investee company management are in line with the clients' investment strategy and interests and to ensure that Polus' level of monitoring and oversight corresponds to the size of its investment. Polus ensures that all investee companies are run by experienced management teams, operate as independent business units and are not reliant on Polus' infrastructure, expertise or management.

Polus' investment analysts communicate internally on the status of engagement activities and any outcomes arising from them.

## Voting Rights

When necessary, Polus may attend and/or vote at company shareholder meetings. Polus does not actively call for AGMs or EGMs, unless necessary for the reasons stated below. The matters to be decided or voted upon at any AGM or EGM are driven by the investee company and its management.

Polus generally supports routine management proposals, such as approval of financial statements and auditor reports (if delivered with an unqualified auditor's opinion), general updating or technical amendments to constitutional documents and routine annual general meeting matters such as re-election of proposed directors.

Polus does not vote on non-routine AGM or EGM resolutions and corporate actions except where:

- Polus' clients have a material interest in the outcome of the resolution or action, for the protection or enhancement of their shareholder value and beneficial interest, and Polus' vote is likely to make a material difference to the outcome.
- Holdings of Polus' clients are material to the outcome of the resolution or action.
- Polus is required to take a decision, pursuant to the organisational documents, investment agreements or other rules governing the investee company corporate actions. Please refer to section 2 above in relation to the rights that Polus seeks in relation to its investee companies.

Where Polus does vote, it:

- votes in what it considers the best interests of its clients;
- does not accept direct or indirect instructions nor any other form of interference by its parent company; and
- acts independently, through the Investment Team, from its parent company and the other subsidiaries of the parent company.

## Board and management appointment rights

Generally, investee companies are managed by their management teams, with strategic oversight and supervision conducted by their boards of directors. Polus would normally require the majority of directors in the investee companies to be independent directors.

Depending on the size of Polus' investment, it may hold rights to appoint and remove some or all of the board members and/or management of an investee company. Polus does not appoint its employees or officers as officers of any investee companies unless it is strictly in the interests of the clients and there is no other reasonable alternative available. In such a situation, Polus seeks to remove the employees/officers as soon as possible. In addition, for as long as any Polus officer/ employee remains on the board of any investee company, the investment team will apply heightened engagement and supervision to ensure that the board is managed in accordance with all best practices. In particular, the Polus officer/ employee will, whilst appointed to the investee company, be mindful about an inappropriate sharing of information between the investee company and Polus and will flag any conflicts of interest that detract from their fiduciary duty to the investee company and/or the client. Pre-appointment of the Polus officer/ employee, senior management will review and consider if there are

any material conflicts both at the time, or consequent to appointment, and seek input from Legal & Compliance and Risk, as appropriate.

Where possible, Polus obtains rights to appoint a non-voting observer to the boards of its investee companies in order to obtain information required to monitor its investment.

Where Polus has rights to appoint board members or management of the investee company, it seeks to find experienced and independent professionals who have adequate expertise and industry knowledge to help maximise the value of the investment. Such appointees shall at all times remain independent from Polus. Polus generally allows the investee companies to elect and appoint their own management, unless Polus' involvement is strictly necessary in the circumstances. In such cases, Polus applies the same policy in relation to identifying, interviewing and appointing management as it applies to board members set out above. Polus officers and employees are never appointed as management of investee companies.

## Co-operation with other shareholders

Polus recognises that there may be occasions where it will be appropriate to work with other shareholders in an investee company. This is considered on a case-by-case basis. Working with other investors must always be conducted in compliance with applicable laws and regulations and as a policy Polus seeks to avoid acting in concert with other shareholders unless necessary to maximise value for Polus' clients. In all circumstances, Polus will act in the best interests of its clients ensuring that it treats all of its clients fairly.

## Appendix A – Polus Group entities

- Polus Capital Management Group Limited
- Polus Capital Management Limited
- Polus Capital Management (US) Inc.