

Shareholder Engagement Policy

Introduction

Background

The Shareholder Rights Directive II ("SRD II") is a European Union Directive which has the aim of encouraging long term shareholder engagement and enhancing transparency between companies and investors.

Article 3(g) of SRD II requires institutional investors¹ and asset managers² to develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement in their investment strategy or explain why they have not done so.

Application and Scope

Cheyne Capital Management (UK) LLP ("Cheyne") is a full scope UK AIFM with MiFID "top ups", which is known as a Collective portfolio management investment firm ("CPMI"). Cheyne therefore falls within the description of asset manager under SRD II.

Cheyne is known for its innovative approach and has been early and successful at delivering value to investors from important dislocations in the market place. With an investment philosophy grounded in rigorous fundamental analysis, Cheyne runs a number of investment strategies: Real Estate Debt, Social Property Impact, Investment Grade Corporate Credit, Strategic Value Credit, Convertible Bonds, Event Driven and Long Short Equity.

The funds in scope of the Shareholder Engagement Policy are those managed by the Long Short Equity team, each ("a Fund"), that invest in equity and equity-linked securities traded on a regulated market. The funds that are not in scope of the policy engage with companies as owners of credit and debt instruments or gain exposure to equity through derivatives and therefore the policy is not relevant for those strategies.

The Policy

This policy describes how Cheyne:

- monitors investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance;
- conducts dialogues with investee companies;
- exercises voting rights and other rights attached to shares;
- co-operates with other shareholders; and
- manages actual and potential conflicts of interests in relation to their engagement.

Monitoring of and Dialogue with Investee Companies

Cheyne monitors investment exposure in investee companies through conducting thorough due diligence including where possible, meeting with management teams of investee companies.

Individual investment teams and analysts within Cheyne may employ different styles and strategies when monitoring and engaging with investee companies. While not an exhaustive list, factors that may be taken into consideration include: business strategy; risk management; environmental and social concerns; corporate governance issues; compliance, culture and ethics; and performance and capital structure.

Regarding environmental, social and governance issues (together "ESG") Cheyne's responsible investment ("RI") approach is that the consideration, assessment and integration of ESG factors is a core element of analysis

¹ For the purposes of SRD II 'Institutional investor' means: those that carry out activities such as the provision of insurance and reinsurance, and occupational pension scheme providers.

² 'Asset manager' means an investment firm providing portfolio management services, an Alternative Investment Manager ("AIFM") and companies managing Undertakings for the Collective Investment in Transferable Securities ("UCITS").

undertaken in our investment processes. We believe that responsible investing can be a key driver of value creation. Cheyne's RI policy describes how each investment division integrates ESG into their investment process. Relevant for the Shareholder Engagement Policy are the sections of the RI policy which refer to "Equities".

Cheyne believes that the materiality of individual ESG factors differs by company, sector, and region, and consequently does not apply a "one size fits all" approach to risk assessment. Through the establishment of a robust analytical framework, risk assessment and engagement, Cheyne's investment professionals aim to systematically incorporate ESG considerations into their investment analysis and into the on-going dialogue with company management.

Exercising Voting Rights

Cheyne has established a proxy voting policy and procedures for:

- monitoring of corporate events;
- ensuring the exercise of the voting rights is in accordance with the investment objectives and policies of the Funds; and
- preventing or managing any conflicts of interest arising from the exercise of voting rights.

Cheyne has developed a structure to ensure that voting is conducted in an appropriate manner, consistent with the relevant Fund's best interest, and within the framework of its proxy voting policy. Cheyne takes the view that voting in a manner consistent with maximizing the value of the Funds will benefit the Funds and, indirectly, Shareholders.

Co-operating With Other Shareholders

Generally, Cheyne will engage in dialogue with its investee companies directly. However, in very specific circumstances it may collaborate, where appropriate to do so, with other investors where such actions are deemed to be in the best interest of Shareholders. However, it should be noted that this type of collaborative activity is infrequent.

Managing Conflicts of Interest

Cheyne has adopted a comprehensive conflicts of interest policy, which governs the approach Cheyne has taken with respect to the identification, mitigation and monitoring of any potential conflicts of interest. In adopting this policy, Cheyne is placing additional focus on its engagement with investee companies.

Annual Review

On an annual basis, Cheyne will publicly disclose how its engagement policy has been implemented, including a general description of voting behaviour, an explanation of the most significant votes and the use of the services of proxy advisors.

In addition, Cheyne will publicly disclose how it has cast votes in the general meetings of companies, in which the Company holds shares, noting that such disclosure may exclude votes that are insignificant due to the subject matter of the vote or the size of the holding.

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