



Sagil Capital LLP

Shareholder Rights Directive (SRD II)

Introduction

SRD II, which has been transposed into UK law by the [Companies \(Shareholders' Rights to Voting Confirmations\) Regulations 2020](#) ("UK SRD II"), aims to promote effective stewardship and long-term investment decision making, in respect of shares traded on a regulated market which is a UK RIE and comparable regulated markets outside the UK.

The rules require asset managers, who invest in shares traded on a regulated market detailed above, to:

- Publish their shareholder engagement policy (or explain why they don't have one) – COBS 2.2B.5R.
- Make annual public disclosures relating to the implementation of their shareholder engagement policy, from 10 June 2020 – COBS 2.2B.5R.
- Make disclosures to certain asset owners, including how their investment strategies contribute to the medium to long term performance of their assets – COBS 2.2B.9R.

Asset managers for these purposes include MiFID managers, full scope AIFMs, and UCITS schemes and management companies.

Firms that do not invest in listed shares are not in scope of the requirements under SRD II. By virtue of the Firm's investment management activity, the Firm is in scope of the requirements.

Engagement Policy

The firm must either publicly disclose a clear and reasoned explanation of why it has chosen not to comply with any of the requirements imposed by SRD II or develop and publicly disclose on its website an engagement policy which describes how the Firm:

1. Integrates shareholder engagement in its investment strategy
2. Monitors investee companies on relevant matters, including:
 - a. Strategy;
 - b. Financial and non-financial performance risk;
 - c. Capital structure; and
 - d. Social and environment impact and corporate governance
3. Conducts dialogues with investee companies
4. Exercises voting rights and other rights attached to shares
5. Cooperates with other shareholders
6. Communicates with relevant stakeholders of the investee companies, and
7. Manages actual and potential conflicts of interest in relation to the Firm's engagement

Should the Firm elect to develop and publish an engagement policy, it must annually disclose how that engagement policy has been implemented. These disclosures include:

1. A general description of voting behaviour with an explanation of the most significant votes and reporting on the use of the services of proxy advisors
2. Details of how the Firm has cast votes in the general meetings of companies in which it holds shares, except where they are considered to be insignificant due to the subject matter of the vote or the size of the holding in the company

These disclosures must be made freely available on the Firm's website.

The Firm has elected to develop and disclose an engagement policy (see below) which relates to investments it manages across all relevant regulated markets.

Sagil Capital LLP SRD II Engagement Policy

Under obligations arising from the Shareholders Rights Directive (COBS 2.2B), a firm which trades shares on a UK regulated market, and comparable overseas regulated market is required to either publicly disclose an engagement policy as prescribed in COBS 2.2B.6R or explain clearly a reasonable explanation of why it has chosen not to comply with the directive.

The Firm has elected to disclose its engagement policy as set out below. Furthermore, the Firm is also required to further disclose on an annual basis how the engagement policy has been implemented in a way that meets the requirements in COBS 2.2B.7R. This annual disclosure can be found below.

How the Firm integrates shareholder engagement in its investment strategy (COBS 2.2B.6R (1))

The Firm's investment process comprises both a bottom-up and top-down analysis of companies and the macro-economic environment. Meeting with company management is crucial to this fundamental approach resulting in portfolio managers generally meeting with management before any investment decision is made.

The Firm's investment team will continue to engage with company management holding routine meetings on subjects such as strategic direction and financial performance. Where appropriate, the Firm has a willingness to engage with other shareholders.

How the Firm monitors investee companies on relevant matters (COBS 2.2B.6R (2))

The Firm reviews investments in companies on an ongoing basis or following material announcements or developments. This continuous review can be broken down into the following sections:

Strategy

- Has the company's strategy materially changed and if so, will this impact shareholder value.

Financial and non-financial performance and risk

- Has the company's financial and non-financial performance materially changed and how does this alter the risk profile of the investment.

Capital structure

- Has the company's capital structure changed and if so, will this impact shareholder value.

Social and environmental impact and corporate governance

- Has the company's ESG approach changed and if so, will this impact shareholder value.

How the Firm conducts dialogue with investee companies (COBS 2.2B.6R (3))

The Firm's investment team engages with investee companies through regular meetings either face to face or via virtual meetings as part of their monitoring and research activities, as well as to address specific concerns and/or areas for improvement if identified. All discussions held between the Firm and company are recorded and saved in the Firm's proprietary database and reviewed on a regular basis by the Firm's compliance team.

How the Firm exercises voting rights and other rights attached to shares (COBS 2.2B.6R (4))

The Firm's policy is to vote proxies in the best interest of its clients and will make votes as it deems necessary or appropriate, on a case-by-case basis and in accordance with the following guidelines:

1. Support a current management initiative if the Firm's view of the issuer's management is favourable;
2. Vote to change the management structure of an issuer if it would increase shareholder value;
3. Vote against management if there is a clear conflict between the issuer's management and shareholder interest;
4. In some cases, though the Firm supports an issuer's management, there may be corporate governance issues that the Firm believes should be subject to shareholder approval; and/or
5. May abstain from voting proxies when it is determined that the cost of voting the proxy exceeds the expected benefit to its clients.

The portfolio managers will determine how to vote each such proxy. Upon making a decision, the portfolio managers instruct the operations team on how to vote. It is the responsibility of the operations team to either vote via proxy voting systems such as Proxyedge or to instruct the vote via prime broker of the Firm.

How the Firm cooperates with other shareholders (COBS 2.2B.6R (5))

The Firm will cooperate with other shareholders if it is deemed in the best interest of our clients to do so.

How the Firm communicates with relevant stakeholders of the investee companies (COBS 2.2B.6R (6))

The Firm will communicate with relevant stakeholders if it is deemed in the best interest of our clients to do so.

How the Firm manages actual and potential conflicts of interests in relation to the Firm's engagement (COBS 2.2B.6.R (7))

The Firm will not put its own interests ahead of those of any Client and will resolve any possible conflicts between its interests and those of the Client in favour of the Client. With regards to its voting rights responsibility, the Firm will adhere to the policy set out above to ensure all voting is executed for the best interest of the client.

The Firm maintains a conflicts of interest register that is reviewed regularly with any new conflicts raised to the Governing Body.

Sagil Capital LLP SRD II Annual Disclosure

Under COBS 2.2B.5 the Firm must publicly disclose on an annual basis how its engagement policy has been implemented in a way that details the following requirements;

1. A general description of voting behaviour with an explanation of the most significant votes and reporting on the use of the services of proxy advisors
2. Details of how the Firm has cast votes in the general meetings of companies in which it holds shares, except where they are considered to be insignificant due to the subject matter of the vote or the size of the holding in the company

This public annual disclosure is made available for the Firm's website and covers the period June 2022 to June 2023.

General description of voting behaviour

As per the Firm's Proxy Voting Policy, the Firm will generally vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any, on a case-by-case basis and in accordance with the following guidelines:

1. Support a current management initiative if the Firm's view of the issuer's management is favourable;
2. Vote to change the management structure of an issuer if it would increase shareholder value;
3. Vote against management if there is a clear conflict between the issuer's management and shareholder interest;
4. In some cases, though the Firm supports an issuer's management, there may be corporate governance issues that the Firm believes should be subject to shareholder approval; and/or
5. May abstain from voting proxies when it is determined that the cost of voting the proxy exceeds the expected benefit to its clients.

The portfolio managers will determine how to vote each such proxy. Upon making a decision, the portfolio managers will instruct the operations team on how to vote. It is the responsibility of the operations team to either vote the shares or to instruct the prime broker of the Firm's voting decision in order to update the client's proxy voting record. The operations team must ensure that the voting of all proxies is completed in a timely manner and must monitor the effectiveness of these policies.

The Firm does not make use of the services of proxy advisors.

Explanation of the most significant votes

Significant votes are considered when the Firm is voting on behalf of more than 3% of an issuer's voting rights. No such votes were made in the reporting period.