

Voting and Engagement report

2021



INTRODUCTION

This information has been drawn up pursuant to art. 124-quinquies of Legislative Decree no. 58 of 24 February 1998 introduced by Legislative Decree no. 49 of 10 May 2019 transposing EU Directive 2017/828 Shareholder Rights Directive II regarding the encouragement of long-term shareholder commitment and aims to represent the methods adopted by Kairos Partners Sgr S.p.A. (hereinafter, also Kairos, the SGR or the Company) in the year 2021 for the exercise of the intervention and voting rights inherent to the financial instruments pertaining to the managed portfolios.

As an Asset Management Company, Kairos undertakes to exercise in a reasonable and responsible manner the rights inherent to the financial instruments pertaining to the assets managed.

The SGR believes that dialogue with issuers is a key element for the implementation of a responsible investment policy, helps to protect and guarantee its value in the long term, constituting one of the appropriate measures to safeguard the rights of investors, as well as, through voting at the meeting, one of the methods through which the rights inherent to the financial instruments pertaining to the funds managed are exercised in the interests of the latter.

In order to best carry out its Commitment activities, Kairos has defined its own engagement and voting right policy “Politica di impegno es esercizio dei diritti inerenti agli strumenti finanziari”, published in the Policy section of the SGR website.

The engagement and voting right Policy is aimed at defining the principles, organizational measures and behaviors that the company uses to stimulate discussion with the issuers in which it invests, integrating its commitment into investment strategies and encouraging adoption by investee companies, of behaviors consistent with the principles of sound and prudent management, ethics and sustainability over a long-term horizon and is essentially made up of three components:

1. The exercise of voting rights in the AGMs

2. Monitoring the economic and financial performance and related risks of the investee companies

3. Engagement with issuers on specific topics

The ESG Analysts team, in coordination with the Investment Management of the SGR, has been delegated the task of overseeing active shareholder activities.

The team coordinates participation activities in shareholder meetings in relation to the exercise of voting rights for the shares held by the managed assets. Furthermore, the team monitors and engages with relevant issuers on significant issues in terms of strategy, financial and non-financial results, risks, capital structure, as well as in terms of social, environmental and corporate governance impact.

THE EXERCISE OF THE VOTING RIGHTS

The SGR adopts a “targeted” approach to corporate governance, favoring - in application of the principle of proportionality - the vote in the meetings related to investments in issuers deemed “significant”. Investments in issuers that have a weight of at least 2% of the NAV are considered “significant”. In particular circumstances, the SGR may decide to participate even if the weight of the issuers in the portfolio is less than 2%. By way of example and not exhaustively, this can happen when the meeting is called to decide on extraordinary transactions or when the agenda explicitly reports ESG issues (e.g. Say on Climate).

In implementation of the “voting list” mechanism provided for by Italian law, Kairos, together with other Italian and foreign management companies and investors, joins the Assogestioni Managers’ Committee (www.comitatogestori.it) in order to present lists of candidates for the election and co-optation of minority directors and auditors in Italian listed issuers.

The voting list mechanism is based on the principle, present in numerous jurisdictions, according to which the proposal and election of candidates in the bodies of listed companies must also be permitted to parties other than the controlling shareholders or the outgoing Board of Directors.

During the period, the Company actively participated in the Annual Shareholder’s Meeting of Italian and foreign companies, on the basis of the criteria set out in its engagement and voting rights policy.

During 2021, the SGR participated in a total of n. **32 Annual Shareholder’s meeting** of Italian and foreign (companies for a total of **307 resolutions on the agenda**).

* A list of issuers in which voting rights have been exercised is provided in the Appendix.

No situations of particular relevance emerged with reference to behavior in the Shareholders’ Meeting in relation to the exercise of the right to vote. Depending on the different jurisdictions, non-financial statements were brought to the meeting as separate agenda items or integrated into the Annual Report.

MONITORING/ENGAGEMENT

In the same way as the expression of the right to vote, Kairos considers dialogue with the issuers in which it invests a priority, with the aim of preserving and increasing the value of the investment, in compliance with the fiduciary duty recognized by our customers.

Effective engagement requires a process that:

- is set in an appropriate long-term investment context and focuses on long-term value preservation and creation, so that the commitment is aligned with the investment thesis;
- is framed by a deep understanding of the nature of the company, its business model drivers and constraints;
- is based on clear objectives, focused on achieving a change;
- recognize change as a process and that, although haste may sometimes be necessary, change should not be rushed inappropriately;
- uses coherent, direct and honest messages and dialogues;
- uses resources efficiently so that the coverage of engagement is as broad as possible using all available tools, including collective engagement.

The dialogue with issuers can be typified in:

- **Monitoring activities:** all the activity functional to the understanding of the business model, preparing internal models and monitoring in order to reach an informed investment decision that maximizes the value of the capital allocation. The activity takes place in one-to-one meetings and collective meetings. The issuer's interlocutors in the process are mainly executives, IR functions and sell-side analysts.

During 2021, the SGR held approximately 600 monitoring meetings with the participating issuers.

- **Engagement activity:** typically occurs when the process of understanding the issuer is at an advanced stage, the holding period perspective is confirmed as long and is normally limited in terms of topics. The interlocutors of the process are preferably executives and non-executive members of the Board of Directors, in line with what is established by the issuers' dialogue policies*. The topics addressed are mainly related to capital allocation, governance issues included remuneration, monitoring issues and management of risks related to climate change. With respect to the latter, Kairos believes that risks related to climate change, and in particular greenhouse gas emissions, will have a material effect on a company's long-term profitability, sustainability and investor returns. These risks include regulation, taxation, competitive disadvantage, brand deterioration, financing, litigation.

During 2021, the SGR carried out 11 collective engagements, often promoting the gathering of interest from other investors around particular topics, aware that bringing together a larger group of investors gives access to a successful path of greater probability and in compliance with the effectiveness and efficiency of the issuers' commitment to the issues on which they are engaged by investors.

** For Italian issuers, Recommendation no. 3 of the Corporate Governance Code suggests that issuers adopt a policy about the management of the dialogue with all shareholders