



# Engagement and Voting Policy

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October 30<sup>th</sup>, 2024

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## Summary

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<b>REFERENCES</b> .....	<b>3</b>
<b>DEFINITIONS</b> .....	<b>3</b>
<b>INTRODUCTION</b> .....	<b>3</b>
<b>1. MONITORING OF INVESTEE COMPANIES</b> .....	<b>4</b>
<b>2. ENGAGEMENT WITH INVESTEE COMPANIES</b> .....	<b>4</b>
<b>3. EXERCISE OF VOTING RIGHTS AND OTHER SHAREHOLDER RIGHTS</b> .....	<b>6</b>
<b>4. TRANSPARENCY TOWARD INVESTORS REGARDING ENGAGEMENT</b> .....	<b>8</b>
<b>5. MANAGEMENT OF POTENTIAL CONFLICTS OF INTEREST RELATED TO ENGAGEMENT</b> .....	<b>8</b>
<b>6. AMENDMENTS TO THE POLICY</b> .....	<b>8</b>

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## References

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- [1] TUF
- [2] Joint Consob-Bank of Italy document on Post-Trading.
- [3] Consob Regulation no. 11971 of 14 May 1999 - Implementing the provisions on issuers of Legislative Decree 58 of 24 February 1998 (so called "Regolamento Emittenti")
- [4] Kairos Partners SGR Spa – "Statement on the Principal Adverse Impacts of Investment Decisions on Sustainability Factors."

## Definitions

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**Fund Managers** – Based on assigned internal management mandates, carry out investment activities in relation to the managed assets.

**Asset Manager** – Asset Management Companies, SICAVs, SICAFs that directly manage their own assets, and entities authorized in Italy to provide portfolio management services.

## Introduction

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The European regulation promoting long-term shareholder engagement (known as the Shareholder Rights Directive II), as incorporated into Italian law, requires asset managers to adopt and publicly disclose an engagement policy that describes how they:

- monitor investee companies with shares admitted to trading on a regulated market in Italy or another Member State of the European Union on relevant issues, including strategy, financial and non-financial performance, risks, capital structure, social and environmental impact, and corporate governance;
- engage in dialogue with investee companies;
- exercise voting rights and other rights associated with shares;
- collaborate with other shareholders;
- communicate with relevant stakeholders of investee companies;
- manage actual and potential conflicts of interest related to their engagement.

Based on the above-mentioned regulation, Kairos Partners SGR S.p.A. (hereafter also referred to as "Kairos") has defined this Policy, which will be updated as necessary in response to regulatory changes and by monitoring national and international trends in responsible investment (and at least biennially). It will be published on Kairos website within fifteen days of its approval by the company's Board of Directors. The engagement policy will remain publicly available for at least three years following the end of its validity.

The engagement policy applies

- i) to all products managed by Kairos
- ii) to those managed under delegation. The exercise of voting rights must be expressly delegated in accordance with current legal and regulatory provisions.

Regarding agreements with institutional clients for individual and collective managed accounts, the policy applies based on the terms of those agreements, in compliance with current regulations and the "comply or explain" principle.

## 1. Monitoring of investee companies

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The Policy is inspired by the “Italian Stewardship Principles” issued by Assogestioni and the EFAMA Stewardship Code, which contain recommendations for implementing best practices aimed at fostering dialogue and collaboration with issuers of financial instruments in which managed portfolios are invested. Kairos applies these best-practice principles to both Italian and foreign issuers whose securities are included in managed portfolios. These principles may be applied according to a proportionality criterion, for example by setting materiality thresholds for holdings in managed portfolios to identify issuers considered most significant.

In this context, Kairos considers “significant issuers” to be holdings representing a substantial weight in managed products, with a weight of over 2% of the NAV in at least one of the products managed. The same quantitative criteria apply to financial instruments of issuers other than shares. The fulfillment of these conditions is verified quarterly, based on data as of the last day of the reference quarter.

Even if the total holding across products is below this threshold, the procedures may be applied at Kairos’s discretion, duly considering the significance of the investment held, both quantitatively and qualitatively (for example, in relation to specific events concerning the issuer).

The procedures will generally apply to issuers that exceed the materiality threshold on a stable and continuous basis; they may not be applied when this threshold is temporarily exceeded and/or falls within a short-term investment strategy.

The monitoring of issuers aims to protect and enhance the value of managed products. For significant issuers, Kairos adopts all monitoring measures and tools that, in a flexible and proportionate manner based on relevance assessments, are also applied to other invested issuers.

Monitoring primarily focuses on analyzing financial and economic prospects and corporate governance issues, especially in the presence of potential risks.

Monitoring is conducted on an ongoing basis and includes, among other things:

- (i) quantitative monitoring of stock performance and its contribution to fund performance;
- (ii) analysis of data and news released by media outlets and information providers, as well as key research from financial analysts;
- (iii) assessment of periodic financial reports and announcements, along with potential participation in related conference calls;
- (iv) regular meetings with representatives of the issuer;
- (v) analysis of press releases and documentation published by issuers, particularly concerning corporate events submitted to the shareholders' meeting;
- (vi) consultations with industry experts, independent legal advisors, etc.

## 2. Engagement with investee companies

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The dialogue or engagement activity with issuers aims to protect and enhance the value of managed portfolios and can be initiated either by the Fund managers or by the Analysts and ESG Team.

Kairos identifies certain specific circumstances that may lead to active engagement with the issuer and defines the methods for such intervention.

By way of example, and not limited to these cases, Kairos considers engaging with an issuer when, during monitoring activities, it identifies the following issues:

- stock performance significantly below sector benchmarks;
- substantial losses that may impact the share capital, triggering the conditions under Article 2446 of the Civil Code;
- proposed extraordinary transactions or changes to the organizational structure that could significantly alter the issuer's risk profile or fundamentally transform its business model;
- extraordinary transactions and/or statutory amendments that may impair shareholders' rights or involve the exercise of withdrawal rights;
- significant environmental, social, or governance (ESG) issues, along with related indicators of the adverse impacts of investments on sustainability factors (PAI), specifically PAI 4, 14, and 16, as outlined in its "Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors";
- legal or tax issues, or environmental or social controversies involving the issuer or its representatives;
- proposed resolutions at the shareholders' meeting that reveal a dissenting position from a favorable view.

In such cases, Kairos may initiate individual engagement or participate in collective engagement initiatives with the issuer's representatives (relevant management or investor relations personnel) to discuss or specifically address the identified issues.

The details and outcomes of engagement activities are shared across Kairos's various teams to enable better monitoring of the environmental, social, and governance profiles of issuers and to integrate acquired information into the investment process.

Should engagement results indicate that the issues are not likely to be resolved or improved within the investment horizon, Kairos may decide to divest from the issuer's securities across all portfolios.

Kairos nonetheless favors collective engagement initiatives, including those targeting government securities issuers and regulatory bodies, both as an exercise of investors' rights and as a means to promote the Responsible Investment Principles that it has committed to uphold for the benefit of its stakeholders.

### Italian Issuers

In the case of Italian issuers, the main tool for collective engagement aimed at monitoring sound and prudent management and overseeing the issuer's risks is participating with other professional investors, through the Committee of Fund Managers (composed of representatives from Kairos associated with Assogestioni and other institutional investors), in the presentation of candidate lists for the election of minority members to the issuer's board of directors and supervisory bodies.

For significant issuers, if the monitoring and intervention activities described above reveal particularly problematic circumstances with potential significant effects on the managed products, Kairos, in order to protect investors, evaluates adopting forms of collective engagement with other institutional investors, for example through the procedures set out by the Committee of Fund Managers or the Forum for Sustainable Finance.

Collective engagement with other institutional investors is generally considered preferable both in cases where Kairos is the initiator (individually or collectively) and in cases where it joins initiatives promoted by other investors. Such initiatives may primarily involve requests for (further) collective discussions with the issuer's management or with independent directors and/or auditors, in compliance with recognized best practice rules regarding monitoring and engagement.

Any initiatives aimed at exercising shareholder rights, particularly when qualified "quorum" is required (e.g., calling a shareholders' meeting upon request by shareholders, requesting the addition of items to the meeting agenda, and/or presenting new resolutions), as well as potential class actions (where permitted by applicable law), will preferably be undertaken in concert with other institutional investors, including through the procedures of the Committee of Managers, exclusively in the interest of the investors in the managed products.

### Foreign Issuers

In the case of foreign issuers, engagement can take place through direct dialogue with the companies, although it is generally conducted:

- collectively, by joining motions, petitions, or similar initiatives promoted by non-governmental organizations or investor associations through platforms such as CDP (Carbon Disclosure Project) and similar ones;
- by participating in the issuers' meetings, through the exercise of voting rights as specified below.

### **3. Exercise of voting rights and other shareholder rights**

Kairos develops strategies to regulate the exercise of intervention and voting rights with respect to issuers whose securities are admitted to trading on major national and international markets and are present in the portfolios of managed products, exclusively in the interest of investors.

With regard to discretionary mandates, Kairos does not exercise the voting rights related to the shares held by the client in the managed portfolio, unless the client has specifically granted a proxy in accordance with Article 24 of the TUF (Consolidated Law on Finance) or it is defined within the management agreement.

Regarding management mandates for institutional investors, Kairos does not exercise the voting rights unless explicitly governed by the management agreement.

The exercise of voting rights follows a proportionality criterion, for example, by setting relevance thresholds based on the holdings in the managed portfolios, allowing the identification of issuers considered most significant. In this perspective, Kairos considers "significant issuers" to be holdings that represent a significant weight in the managed products, with relevance presumed for holdings exceeding 2% of the "NAV" in at least one of the products containing the shares.

The analysis and identification of relevant corporate events are carried out using information providers and other means that report information disseminated by or related to the issuer. This activity primarily focuses on the general meetings of major companies listed on European markets. Specifically, in compliance with the interests of investors and management needs, the exercise of voting rights occurs on those markets where the administrative activities of registration and voting are straightforward and generally not burdened by ancillary activities, authorizations, certifications, and communications that result in the blocking of shares for periods deemed excessive.

Proposals regarding the potential opportunity to exercise voting rights can be made by: the Management Functions (the Portfolio Managers, who, in line with the mandate assigned to them, can identify the company meetings where they deem it appropriate to intervene and vote) and the Analysts and ESG Team. The latter, in agreement with the Head of the Investment Department, who is responsible for the exercise of voting rights, proceeds with the voting or delegation in accordance with the internal organizational procedures.

The evaluation regarding the opportunity to intervene in a meeting and exercise the voting rights does not automatically extend to all managed products holding the examined securities. However, if multiple managed products are involved in the same meeting, voting is generally conducted uniformly. The amount of securities for which the right to intervene and vote at the meeting is exercised may not represent the entirety of the securities held in the involved portfolios, but is determined based on current assessments regarding the protection of investors and market conditions.

The Investment Committee is informed of the actions taken regarding the exercise of voting rights at the meetings of the companies in which the assets of the managed products are invested, as well as any presentation of minority lists for the appointment of management and/or supervisory bodies.

The exercise of voting rights must always be carried out in an informed manner, based on information published by the companies being invested in or by commonly used media (for example: issuer company websites, daily press and periodicals, financial and data information providers, news and environmental (E), social (S), and governance (G) assessments), as well as any analyses conducted by leading research firms specializing in proxy voting.

Intervention and voting at the meeting can take place, alternatively, by:

- joining proxy voting services;
- appointing an employee or collaborator of Kairos or the Group;
- appointing a third party (lawyers, consultants, etc.).

If the intervention at the meeting occurs through a proxy, the voting instructions defined by Kairos are binding, and therefore the proxy cannot deviate from them.

In particular, when exercising the right to intervene and vote, Kairos adheres to the following principles:

- it cannot bind the portfolio securities to shareholder agreements (e.g., voting or blocking syndicates);
- it may recall at any time the securities of any issuer that may have been lent;
- it exercises the voting right in complete autonomy and independence;
- if it delegates the exercise of the right to intervene and vote to third parties, explicit voting instructions must be specified within the delegation or other documentation;
- with regard to the presentation of candidate lists for election to the Board of Directors and supervisory bodies of Italian companies, it follows the principles and criteria established by the Corporate Governance Committee of Assogestioni.

If deemed appropriate and where permitted by applicable legislation, Kairos has the right to ask the issuer written questions before the meeting on the items on the agenda, communicate its voting intentions to the issuer and/or via collective platforms, publish specific information on your website regarding the votes carried out.

In cases where it is assessed that exercising the voting right is unlikely to result in a benefit or interest for the managed products, or in cases where there is a lack of adequate and sufficient information to cast an informed vote, Kairos will not exercise the voting right or will choose to abstain.

In cases where Kairos has delegated the management of one of its OICRs (Collective Investment Undertakings) to another Asset Management Company, and the delegation includes the possibility of exercising the voting right with

respect to the financial instruments in the portfolio, the delegate must have adopted its own Strategy and communicated it to Kairos. Similarly, in cases where Kairos has received the delegation of managing an UCITS (Undertaking for Collective Investment in Transferable Securities) from another Asset Management Company, and the delegation includes the possibility of exercising the voting right with respect to the financial instruments in the delegated portfolios, Kairos must apply the rules defined in this Strategy.

In both cases, the delegate communicates to the delegating party the methods for exercising the voting right, as well as the necessary information to ensure transparency to the investors.

A specific organizational procedure regulates the processes and detailed activities, including the criteria and methods for exercising intervention and voting rights.

#### **4. Transparency toward investors regarding engagement**

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Kairos communicates to the public the implementation methods of this policy through a report, which is made available on Kairos's website by February 28 of each year, referring to the engagement activities of the previous year and in accordance with the provisions of the policy in effect during the reference period. The report remains available to the public for at least 3 years after the end of its validity.

Regarding institutional clients, Kairos provides this policy at the time of signing the contract. Additionally, Kairos ensures transparency regarding how voting rights are exercised, including in the periodic financial documentation of the managed products and by publishing information and data on the voting activities on the company's website. The periodic report will include specific information regarding the assemblies of significant issuers where intervention and voting rights were exercised, as well as the engagement initiatives carried out with those significant issuers.

Further information may be requested directly from Kairos.

#### **5. Management of potential conflicts of interest related to engagement**

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Kairos does not exercise the right of intervention and voting, nor does it participate in the presentation of minority lists for the appointment of corporate bodies in situations where conflicts of interest exist with issuers falling within the definition of "related parties," as defined in the policy on this matter adopted by Kairos. This applies also in the assemblies of such issuers.

If it is found that significant issuers include those in conflict of interest due to being classified as "related parties" under the company's current policies, Kairos will, as a general rule, limit the application of the Stewardship Principles to monitoring activities. Kairos will refrain from individual and collective engagement, from intervention or voting at the assemblies, and, for Italian issuers, from the presentation of minority lists for corporate bodies.

Furthermore, Kairos requires proxy advisors to periodically disclose any conflicts of interest regarding the companies for which they provide voting recommendations.

#### **6. Amendments to the policy**

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Any modification or addition to this document must be approved by the Board of Directors of Kairos, following the opinion of the Audit and Risk Committee. The President and/or the Chief Executive Officer and General Manager may also approve modifications or additions of a non-substantial nature, solely for the purpose of aligning with regulatory changes and/or the guidelines of competent authorities or associations.

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<sup>1</sup> Based on the definition of "related parties" as outlined in the current "Conflict of Interest Management Policy" (to which reference is made) and the current corporate structure of Kairos, the issuers to which this provision applies are: i) the parent company; ii) issuers who are significant shareholders and exert considerable influence on the parent company, including through shareholder agreements; iii) issuers with which companies of the Anima Group, which fully controls Kairos, have entered into significant placement agreements; iv) issuers that have entered into custodian agreements with companies of the Anima Group; v) outsourcers to whom Kairos has outsourced essential and important services.



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