

# Shareholder Engagement Policy

## Introduction

This shareholder engagement policy (the “**Policy**”) has been written in accordance with the requirements of Directive (EU) 2017/828 and its implementing measures (together, the “**SRD II**”). SRD II has been transposed into Irish law under the European Union (Shareholders’ Rights) Regulations 2020 (the “**Irish Regulations**”). The Irish Regulations in turn amend the provisions of the Companies Act 2014 as amended (the “**Companies Act**”). Kinsale Capital Management Limited (“**KCM**” or the “**Company**”) falls within the new definition of “relevant asset manager” set down in Part 17 of the Companies Act. As a result, in accordance with its obligations under Section 1110H of the Companies Act, the Company has developed this Policy which describes how the Company engages with Investee Companies (as defined below) in which applicable collective investment schemes under the management of the Company invest. The list of collective investment schemes subject to this Policy are listed under the heading “Scope”.

This Policy provides information on the following topics to comply with the provisions of paragraph 3(g)(1)(a) of SRD II:

1. Integration of shareholder engagement in the investment strategy of Kinsale Capital Management Limited and the collective investment schemes which it manages
2. Monitoring of Investee Companies on:
  - a. strategy,
  - b. financial / non-financial performance and risk,
  - c. capital structure,
  - d. ESG
  - e. Corporate governance,
3. Conduct of dialogue with Investee Companies
4. Exercise of voting rights and other rights attached to shares
5. Cooperation with other shareholders
6. Communication with the relevant stakeholders of the Investee Companies
7. Management of actual and potential conflicts of interests in relation to its engagement

This Policy should be read in conjunction with the Voting Policy and Conflicts of Interest Policy of the Company.

## Scope

KCM is authorised in Ireland by the Central Bank of Ireland (the “**Central Bank**”) as an Alternative Investment Fund Manager (“**AIFM**”) pursuant to the Irish AIFM Regulations as amended and the Commission Delegated Regulation No. 231/2013 of 19 December 2012 (the “**Level 2 Regulations**”).

The Company falls within the definition of “relevant asset manager” under Section 1110F of the Companies Act which is as follows:

*“relevant asset manager” means an asset manager-*

- (a) that invests in shares traded on a regulated market on behalf of investors, and*
- (b) in respect of which the competent Member State, within the meaning of Article 1(2)(a) of the Shareholders’ Rights Directive, is the State.”*

The term “regulated market” is given the same meaning as that set down in the MiFID II Directive which defines it as being:

*“multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with Title III of this Directive.”*

This Policy applies to all funds for which the Company acts as AIFM. As of March 2021, the Company acts as AIFM to Multi Fund 10 Umbrella ICAV, an open-ended umbrella type Irish Collective Asset-management Vehicle (“**ICAV**”) fund with the following sub-Funds:

- Kinsale Compass Fund
- Kinsale Navigator Fund

(together the “**Sub-Funds**”, each a “**Sub-Fund**”)

In light of the requirements of the Companies Act, this Policy relates to the engagement of the Company with any company in which a fund under management is invested whose shares are traded on an EEA regulated market (“**Investee Companies**”). As a result it extends to shares of a non-EU company which are traded on an EEA regulated market.

Given the lack of clarity under the Irish Regulations, the Company has extended the scope of the Policy to include investment by a Sub-Fund in the shares of any underlying fund established as an investment company which are traded on an EEA regulated market

### *Delegation*

The Company has delegated portfolio management activities in respect of the Kinsale Compass Fund to Kinney Asset Management LLC and Phaeacian Partners LLC in respect of Kinsale Navigator Fund (each a “**Delegate**”). The Company requires each Delegate to comply with an engagement policy or practice which enables the Company to comply with this Policy on an ongoing basis.

Therefore where the context so requires, reference to “KCM” and “Company” should be construed as also referring to any delegate sub-investment manager appointed by the Company.

### *Additional Services*

The Company is also authorised by the Central Bank to provide the following services pursuant to Regulation 7(4) of the AIFM Regulations:

- a) Management of portfolios of investments
- b) Investment advice
- c) Receipt and transmission of orders

This policy also applies to services provided under Regulation 7(4) of the AIFM Regulations except for the activity of receipt and transmission of orders.

### **Roles and Responsibilities**

The Board of Directors of the Company (“the Board”) has ultimate responsibility for overseeing the management of the Company’s compliance with applicable laws and regulations.

Seán Ó Flannagáin as Designated Person responsible for Investment Management is responsible for overseeing and monitoring the implementation of and adherence of the Company to this Policy (the “Designated Person”).

In order to do so, each Delegate (as defined above) is required to report on engagement with Investee Companies in its quarterly report to the Designated Person. Where they deem it necessary to do so, the Designated Person may report directly to the Board on any matter giving rise for concern.

Shareholder engagement will also be included in the quarterly report of the Delegate to the Board.

## **Integration of shareholder engagement in KCM's investment strategy**

Pursuant to Regulation 13(1)(b) of the AIFM Regulations, the Company is required to act in the best interests of each AIF or the investors of each AIF it manages and the integrity of the market.

In order to protect the best interests of shareholders of the relevant Sub-Fund(s), the Company believes that it should be an active and responsible shareholder of the Investee Companies in which it invests.

As the Sub-Funds are "owners" of the Investee Companies, the Company evaluates each Investee Company and its management team are performing on an ongoing basis. The Company believes that engagement with an Investee Company is an important part of providing the Company with a greater understanding of the strengths and weaknesses of a particular Investee Company. This in turn helps the Company to have a better longer-term view of the relevant Investee Company.

As a value-focused, long-term investment management firm KCM seeks to identify quality companies with a strong business model, experienced and reputable management team, and a strong balance sheet. KCM seeks to invest in companies with management teams that have a history of both operational experience and capital allocation skills that build shareholder value.

The Company is selective in which businesses it chooses to invest in and spends a large amount of time and effort ensuring any business meets the Company's strict criteria.

Engagement with company management is an integral part of KCM's investment process. Meeting with management and other stakeholders through direct one-on-one meetings, quarterly conference calls and other events allows us to engage with and evaluate management as well as the prospects of the business on an ongoing basis. The Company recognises that many decisions that could have a material impact on the long-term value of a shareholding can be made without a shareholder vote being required and as a result considers careful monitoring and effective engagement critical.

As part of the due diligence carried out on any proposed investment, the Company considers not only the strategy, performance, board composition and quality of management of the proposed Investee Company, but also the ability of the Company and other shareholders to engage with the Investee Company and discuss any of the aforementioned considerations.

The engagement approach adopted by the Company will depend on the investment strategy of the relevant Fund, the specific circumstances of the Investee Company and the size of investment by the relevant Fund etc.

However generally the Company will engage with Investee Companies through the various means described in this Policy.

Notwithstanding the above, in accordance with the requirements of the Central Bank, the Sub-Funds which are managed by the Company are not permitted to acquire any shares carrying voting rights which would enable it to exercise significant influence over the management of an issuing body. Accordingly, the Sub-Funds managed by the Company are typically minority shareholders in the Investee Companies would not seek to exercise control over management.

**In summary, engagement is integrated in KCM's investment strategy primarily at the level of the research efforts rather than to act as catalyst to realise value.**

## **Monitoring of Investee Companies**

Ongoing monitoring of Investee Companies form a critical part of the risk management framework of the Company.

The Company monitors Investee Companies on an ongoing basis across multiple aspects of their business including overall corporate governance, their adherence to their stated strategy and any deviations from such, financial and non-financial performance and risk. These risks, including the social & environmental impact of the Investee Companies' activity, may be monitored by Delegates as part of their central risk oversight process.

As mentioned previously, a strong balance sheet is a core investment consideration for us and as such the Company continuously monitors Investee Companies' capital structure. Financial performance will be assessed by analysing revenues and other metrics and considering the overall level of assets and liabilities. The Company considers the rights attaching to the relevant Sub-Fund's shareholding, in particular whether pre-emptive rights exist to protect against the dilution of the Sub-Fund's interest in an Investee Company. The Company will also analyse the re-investment of cash generated, financial leverage and shareholder return and will assess any proposed mergers or other asset sales to determine whether the proposed transaction is in the long-term economic interests of investors.

The Company also assesses material environmental and social issues relevant to the business of the Investee Company to understand whether there are any dynamics which could influence future growth or the value of the investment, both prior to investing in the Investee Company and on an ongoing basis during the life of the investment. Governance practices at Investee Companies are also monitored, with particular attention paid to board composition, executive remuneration and management of conflicts of interests.

The above areas are monitored by analysis of publicly available information from a range of sources including Bloomberg and company releases and from engagement with company stakeholders (e.g. employees, clients, suppliers, competitors). In addition, the Company does not rely solely on the information provided by the Investee Company itself and will use research from sell side analysts, proxy research reports as well as developing knowledge through industry participants or other shareholders in the relevant sector.

The Company considers the reputation, experience, and competence of an Investee Company's management when it evaluates the merits of investing in such a company, and the Company invests in companies in which it believes management and shareholder goals are aligned.

## **Conduct of dialogue with Investee Companies**

As part of its investment strategy implementation, KCM engage in dialogue with Investee Companies to gain a better understanding of their business model and the environment that they operate in. The Company attends investor calls and meetings/roadshows which can provide a useful forum for the Company to better understand the strategy being pursued by the Investee Company, provide the opportunity to ask questions of senior management/raise any specific concerns about strategic, operational, or other management issues. Where practicable, the Company also conducts on-site visits.

As minority shareholders, the Sub-Funds do not have direct influence in how an Investee Company is run by management but if the Company believes that its experience may be of value to the Investee

Company than it will share this experience. In addition, the Company may look to engage directly with the management team of an Investee Company where its monitoring of the Investee Company or a proposed action by the Investee Company leads the Company to question whether the Company is being run in the best interests of its shareholders or where certain “trigger” events occur such as under-performance or poor performance, the election/re-election of directors or external auditors, proposed merger or acquisition etc. In such circumstances, the Company may request a meeting with the management team of the Investee Company, preferably with a non-executive director of the Investee Company in attendance to outline specific concerns and seek further information on certain matters in private rather than raising same at the AGM or any EGM. Where relevant, this may be followed up with a letter to the board of directors of the Investee Company outlining key concerns and rationale for same. In the event that the response from the Investee Company is inadequate, the Company may consider divestment.

### **Exercise of voting rights and other rights attached to shares**

The Company recognises voting rights as an important tool in communicating its views to Investee Companies and uses the voting power of Sub-Funds to express its disagreement with a proposed course of action if and when appropriate. Voting rights must always be exercised in the best interests of investors in the relevant Sub-Fund.

The Company exercise voting rights held by the Sub-Funds in accordance with the Company’s Voting Policy. This policy sets out the measures and procedures for:

- a) monitoring relevant corporate events
- b) ensuring that the exercise of voting rights is in accordance with the investment objective and policy of the relevant Fund
- c) preventing or managing any conflicts of interest arising from the exercise of voting rights.

The Company ensures that the Delegates comply with a voting policy or practice that enables the Company to comply with its own Voting Policy on an ongoing basis.

To exercise voting rights, the Company or the Delegates may use the services of an external expert proxy adviser such as institutional Shareholder Services (ISS) or Broadridge. The Company recognises that the use of proxy voting advisors may have an important influence on its voting behaviour. In the general, while the Company can rely on research conducted by the proxy advisor as a means of identifying potential issues and to inform final voting positions, final voting decisions are taken “in-house” and are not based solely on the recommendations of proxy advisors.

Each proxy issue is considered individually. Decisions regarding voting will be made by relevant Delegate and will be based on the best interest of the relevant Sub-Fund considering the specific applicable investment strategy. While the general policy is to vote all resolutions to the extent possible<sup>1</sup>, the decision whether or not to vote on a specific matter rests with the relevant [portfolio manager] who will determine the importance of exercising the Fund’s voting rights on a particular topic.

There can be situations where the Company may be unable to vote a proxy, or may chose not to vote a proxy, for example, where (a) there are legal encumbrances to voting, including blocking restrictions in certain markets that preclude the ability to dispose of a security if the Company votes a proxy (which may impact on the relevant Sub-Fund’s liquidity requirement) or where the Company is prohibited

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<sup>1</sup> Note to KCM: Where shares in an Investee Company are held via an intermediary, KCM should review the relevant contract in place with any such intermediary to establish the provisions relating to the facilitating of voting rights.

from voting by applicable law or other regulatory or market requirements; (b) proxies are not delivered to the Company by the Sub-Fund's depository (or not delivered in good time); or (c) the relevant Sub-Fund held the securities on the record date but has disposed of them prior to the voting date.

The Company does not engage in or use securities lending arrangements, repurchase or reverse repurchase arrangements and as a result can exercise any voting rights attached to securities held by the Sub-Funds under management freely.

### **Cooperation with other shareholders**

The Company does not seek the opinions of other shareholders as part of its standard investment process, but the Company may engage with other shareholders if it determines that it is in the best interest of the Sub-Funds and their investors.

In circumstances where the Company has raised an issue individually with an Investee Company and believes that insufficient action has been taken since such engagement, or where the Company considers it better to work with other shareholders to effect positive change, it may consider, where appropriate, engaging with other shareholders of the Investee Company. When deciding whether or not to do so, the Company will take into account a number of factors including the identity of other large investors in the Investee Company, the relative size of their shareholding and whether collective engagement will achieve the desired outcome. This may involve engaging with other shareholders via industry fora such as [XXX] to encourage them to make similar representations with the Investee Company. The prior approval of the board of directors of the Company will be obtained prior to engaging with any other shareholder in an Investee Company

The Company is not currently a member of any industry groups or organisations focused on environmental, social and governance issues, however it may decide to join such groups in the future if it considers that it will add value for the Sub-Funds and their investors.

If the Company does seek the opinions of, or engage with, other shareholders in Investee Companies, the Company will have due regard to competition laws globally and will ensure that it does not take any action which breaches the competition laws of any jurisdiction in which it is investing.

### **Communication with relevant stakeholders of the Investee Companies**

Communication with relevant stakeholders of Investee Companies is an important part of the Company's investment process as it enables it to gain a better understanding of an Investee Company's business model or the environment that it operates in. Prior to investing in a stock, the Company will typically engage with a range of stakeholders, such as employees (current and former), suppliers, clients, and competitors. This engagement does not stop once the investment is made, but rather continues throughout the holding period and may continue after.

### **Management of actual and potential conflicts of interests in relation to its engagement**

The Company places the interest of the Sub-Funds and its clients first and seeks to avoid conflict of interest and in accordance with its Conflicts of Interest policy. Every effort will be made by the Company to avoid or mitigate actual or potential conflicts of interest in the conduct of its business. The Conflicts of Interest policy identifies the situations which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients of the Company and sets out procedures to be followed and measures to be adopted to manage any identified conflict.

In certain circumstances, actual or potential conflicts of interests may arise that could be viewed as influencing the outcome of the Company's voting decision, particularly where the Company has significant business relationships with Investee Companies. Examples of such conflicts include where large investors in the Funds under management may be issuers of securities held in the Fund, where clients of the Company are the issuer of securities or are proposing a shareholder resolution for consideration or where the Company is required to vote at a meeting of an Investee Company with which the Company has other business relationships.

Depending on the circumstances, the existence of such conflicts may prevent the Company from voting or engaging at all with the Investee Company.

Any action taken by the Company must be taken with the intention of being in the best interests of the relevant Sub-Fund and taken independently from the interests of the Company, any Delegate or any employees or board members of such entities.

Actual and potential conflicts of interests will be managed in accordance with the Company's Conflicts of Interest Policy and in accordance with applicable regulatory requirements.

Additionally, the Proxy Voting Policy of its Delegates also outlines the procedures to follow on the occasions where a conflict of interest has been identified with respect to a matter to be voted.

### **Access to shareholder engagement policy and annual implementation disclosure**

This Policy is publicly available free of charge on the Company's website.

On an annual basis, the Designated Person responsible for Investment Management shall, in conjunction with the relevant Delegate's, conduct a review of how the Policy has been implemented over the previous twelve months and publicly disclose this on its website. The report will cover the following topics:

- A analysis and general description of voting behaviour
- Explanation of the most significant votes
- explain use of proxy advisors
- Public disclosure of votes, except where they are insignificant due to subject matter or size of holding

This review will also identify any appropriate measures which need to be taken to address any deficiencies identified in its review. In the event that the Company does not, in a given year, publicly disclose how this Policy has been implemented in accordance with Section 1110H of the Companies Act 2014, the Company must publicly disclose a clear and reasoned explanation for its failure to do so.

The Company will endeavour to ensure that the policy remains current and applicable to any new business as well as the existing business of the Company. The Policy will also be reviewed and revised as necessary whenever needed due to regulatory or operational changes.

## Reporting to institutional Investors

The Company will report additional information on the Sub-Funds and engagement activity annually to institutional investors to comply with paragraph 3(i)(1) of SRD II.

The information reported to these investors shall include:

- A disclosure of the key material medium to long-term risks to the Sub-Funds
- portfolio composition
- turnover and turnover costs
- a comment on the use of proxy advisors
- details of its policy on securities lending
- information on whether and how investment decisions are made based on evaluation of medium/long-term financial and non-financial performance
- a disclosure of conflicts of interest in connection with engagement activities

The Company may report the above information together with other annual or periodic reporting required by the regulations it must comply with.

For the Sub-Funds to which the Company serves as AIFM (see *Scope* section), the Company will make this information available to other shareholders in such Sub-Funds on request.