

## Report on Kestrel Partners LLP voting behaviour in respect of Kestrel clients

Period 1 April 2020 – 31 March 2021

The Kestrel ESG Engagement Policy (SRDII) is published on our website at <https://kestrelpartners.com/>. We adhered to our policy in the period under review and this report considers our voting behaviour in respect of Principal Investee Companies (“PICs”) where we hold over 3% of the issued equity.

### Our voting behaviour generally

In summary, Kestrel Partners LLP voted on behalf of clients at every general meeting and on every resolution during the period, as set out below:

	Shareholder meetings held in period	Shareholder meetings at which we voted	Total number of resolutions presented	Total number of resolutions on which we voted*
Annual General Meetings	17	17	156	156
General Meetings	8	8	15	15
	25	25	171	171

\*includes votes withheld, where we lodge a withheld vote

### Our general approach to investee company engagement prior to a general meeting

We encourage, and expect, investee companies to discuss any significant or unusual resolutions with us prior to convening a shareholder meeting. As part of this process, conducted by way of formal market soundings where appropriate, we provide feedback and suggestions on such resolutions.

In our experience, investee companies tend to make amendments to their formal resolutions taking our feedback, and that of other institutional investors, into account. Where we are unable to get comfortable with a proposed resolution we carefully consider issuing an AGAINST vote or withholding our vote.

### How we voted in general meetings in relation to Principal Investee Companies

During the period under review, we voted FOR all resolutions put to a meeting, other than one (see below), having obtained sufficient amendments or explanations to those resolutions of most significance.

In the case of one company, we voted to WITHOLD our vote on one resolution concerning the re-appointment of a non-executive director. The NED in question was also chair of the audit committee and whilst we didn’t want to disrupt operations of the company by voting NO, we wanted to re-enforce our view that a change was required to improve governance. The NED concerned did not stand for re-election at the next AGM, at which we would have voted NO for a resolution to seek re-election.

### Most significant votes cast on resolutions considered in the period

The most significant resolutions we considered during the period were as follows:

- All companies – standing authorities for the disapplication of pre-emption rights on issue of new shares for cash (AGMs). We consider all resolutions related to this matter as significant and, other than in exceptional situations, we do not expect companies to seek more than a standing 10% disapplication at AGM. We voted FOR all such AGM resolutions.
- One resolution for the issue of shares to finance growth (General Meeting). We discussed the proposed placing of new shares with management, which was in excess of our normal expectations for dis-application of pre-emption rights, as part of formal market soundings. Taking into account the

specific circumstances and rationale of the request and a good dialogue with management, we voted FOR the associated resolutions in this case.

- One resolution for the amendment to articles and ratification of dividends (General Meeting). We discussed the amendments being made to the articles regarding non-executive director pay to satisfy ourselves the changes were appropriate. We were aware of the potential need to ratify prior dividends and provided management with our views on this matter. We voted FOR the associated resolutions in this case.
- One resolution for a Scheme of Arrangement (General Meeting). We voted FOR the resolution to approve a Scheme of Arrangement in connection with the recommended takeover bid. We had given our irrevocable undertaking to support the transaction during market soundings. The purchase price represented a 43% premium to the prevailing share price and represented valuation multiples of 3.5x historic revenues, 13.5x historic EBITDA and a free cashflow yield of 4.8%.
- One resolution for a court sanctioned capital reduction (AGM). We voted FOR the resolution concerning a capital reduction enabling the company to pay dividends in the future.
- One resolution for new performance share plan (General Meeting). The company made a number of amendments to the proposed plan in line with market feedback during a consultation phase, which in our view aligned members of the plan with shareholders with respect to performance measures. We voted FOR the associated resolutions.
- One resolution for the issue of shares in connection with an acquisition (General Meeting). We voted FOR the associated resolutions, which included the dis-application of pre-emption rights ahead of our normal expectations. Kestrel holds a board position and we were therefore able to consider all aspects of the deal before voting.
- One resolution for an authority to issue new shares (AGM). We considered the company's proposals for a relatively high authority to issue new shares and dis-apply pre-emption rights, at c99% of issued shares. Taking into account the specific circumstances of the request and a good dialogue with management, we voted FOR the associated resolutions in this case.
- One resolution for a restitution scheme share issue (General Meeting). The company sought permission (on a voluntary basis) to issue new shares for cash in connection with the proposed FCA restitution scheme and permission (on a required basis) to dis-apply pre-emption rights on that share issue. We had encouraged management to seek a settlement of the matter and voted FOR the associated resolutions when presented. We subsequently took up the restitution offer by way of accepting new shares at nil consideration into KOF.
- One resolution for a placing of new shares (General Meeting). Following market soundings, the company sought permission to issue shares for cash with a disapplication of pre-emption rights at a level significantly above our normal comfort levels. However, we believed that a fundamental strengthening of the balance sheet was necessary to promote future growth and there was sufficient demand in the market to for the placing to be undertaken at a premium. We voted FOR the resolutions although we chose not to participate in the placing. We subsequently took the opportunity after the placing to exit our entire holding at around the placing price, having formed a view that better growth opportunities were available elsewhere.

#### **Our use of proxy advisers to guide our voting behaviour**

We consider each company resolution on its individual merits when deciding how to vote the shares taking into account our own views and generally accepted market practice.

Kestrel did not make use of proxy advisors during the period. We keep the future use of proxy advisors under review.