

Shareholder Rights Directive (SRD II) – Engagement Policy

Introduction

Kestrel Partners LLP (“Kestrel”) is an investment manager, with a primary mandate of managing investments in UK smaller companies, predominantly within the software and computer services sector, both for the Kestrel Opportunities Fund (“KOF”) and managed accounts with a strategy that largely mirrors the KOF strategy.

This engagement policy describes Kestrel’s engagement with investee companies, and other relevant parties involved with these companies, in accordance with the requirements of the Shareholder Rights Directive II (“SRD II”).

1. Integration of shareholder engagement in our investment strategy

Our approach to investment and asset management is active. We view our active engagement with investee companies and related stakeholders, including other shareholders, as a central and important part of our overall investment strategy.

Where we form the opinion, normally in consultation with investee company management, other shareholders and stakeholders, that our direct engagement with an investee company would be more beneficial, a member of the Kestrel team will join the board in a Non-Executive statutory director role, or as an observer. Once we believe our direct engagement has achieved its strategic objective, we will, in consultation with the investee company, cease our direct involvement and revert to the normal active investment management approach.

At all times during our engagement activities and deployment of our investment strategy, we acknowledge, pro-actively manage and monitor compliance with the obligations placed on the Kestrel team by regulations including inside information, insider dealing and unlawful disclosure.

2. Monitoring investee companies

We place monitoring of investee companies at the forefront of our investment management process. We monitor investee company news flow on a daily basis using, among other tools, regulatory and non-regulatory automated news alerts. We also actively and proactively engage with the investee company management teams at scheduled reporting periods and on an ad hoc update basis. Our monitoring activity extends to discussions with the chairman, non-executives, key lower level management alongside actively gathering market intelligence at events such as trade shows. We also monitor what employees and ex-employees are saying about the investee company, through sites such as Glassdoor, as well as broader social media views from a wider pool of stakeholders.

- **Strategy**

- We take a keen interest in investee company strategy alongside how they communicate and monitor performance against it. We provide a sounding board for investee companies to discuss their strategy and give constructive feedback designed to ensure a strategy is sensible, funded, well defined and easy to articulate.





- Where relevant, we help companies with messaging to ensure they cover key stock market valuation considerations.
 - We may assist management by providing our views on other areas such as investment budgets and corporate governance, based on peer company policies and our experience.
 - We may work with management to ensure that incentivisation schemes reward appropriate behaviours consistent with our overall investment strategy and consistent with shareholder views. We prefer schemes delivering long term sustainable benefits to the investee company, and therefore shareholders as a whole.
 - We discuss strategy with the investee company chairman and other non-executives where appropriate and, where we deem beneficial, a member of the Kestrel team may join the board in a non-executive capacity to assist management with driving a strategic direction.
- **Financial and non-financial performance and risk**
 - We evaluate an investee company's financial performance in the context of the markets in which they operate assisted by periodic reporting and broker/market research. We maintain our own financial model for each investee company, the outputs from which are compared with actual results over time and reviewed and discussed by Kestrel's Investment Committee.
 - Our focus is on metrics that we believe drive shareholder value which are generally financial, such as free cash flow trends, but we will also work with management teams to implement Management Information programs that go beyond financial metrics, encompassing sales, operating efficiency, new geographic market penetration and R&D.
 - We encourage investee companies to operate staff surveys, customer surveys and to operate a robust whistleblowing policy.
 - Whilst our investment strategy acknowledges there is risk in every investee company, we independently seek to better understand known and potential risks that may threaten the performance and long-term viability of our investment. We will discuss risks that concern us with management and seek a resolution or explanation.
 - We discourage investee companies from taking unnecessary risk and our engagement is designed to better understand management's attitude to risk and management of it.
 - **Capital structure**
 - The capital structures of our investee companies tend to be relatively simply, predominantly in the form of ordinary equity funding.
 - We actively seek to avoid investee companies that are heavily indebted and through dialogue and engagement we discourage existing investee companies from taking on too much, or inappropriate, debt.





- We will on occasion work with investee companies to solve financing issues, providing equity and / or debt financing where we believe it is in our end-clients' interests and stakeholders more widely. Our aim is to provide a funding structure fit for the strategy and to the long-term benefit of all stakeholders.
- **Social and environmental impact**
 - Prior to investing and whilst invested, we consider the social and environmental impact companies might have.
 - We do not invest in companies that we consider, based on research and dialogue with the company, have a potential harmful social and environmental impact that might have a material impact on valuation. We believe that companies that pursue activities of this nature may not be sustainable in the long term and are inherently risky as well as being potentially damaging to society and the environment.
- **Corporate Governance**
 - We believe that robust Corporate Governance is important to the success of a company. We assess investee company compliance with codes of good governance and best practice by monitoring what they report but also drawing on our wider monitoring of the company. We prefer a tailored assessment of each investee company rather than a tick box approach to governance.
 - We monitor key governance metrics to drive business improvements across areas such as: audit, remuneration, treatment of stakeholders / shareholders, revenue assurance, R&D budgets and efficiency and sales efficiency.
 - Where we believe governance is inadequate, we discuss our concerns with management and other stakeholders. We may look to replace / enhance management teams to improve governance and where appropriate we will take Board positions to effect positive change.

3. Engaging in dialogue with investee companies

We regularly meet and talk with management of investee companies, or potential investee companies, both inside and outside of regulatory reporting periods. We believe that this engagement is a key element of our investment strategy, our stewardship and oversight of investment assets.

We use this ongoing and regular dialogue to properly understand management objectives, progress with strategy and overall to inform and update our investment strategy. We encourage management to be transparent with all stakeholders and to carefully consider the impact on stakeholder value of their actions.

In addition to engaging with management, we will have contact with non-executive directors, the chairman and the company's advisers.

We will also seek dialogue with investee company lower level employees, with the approval of the senior management to better understand the business, the tone set by the top and stakeholder sentiment from the ground up.





4. Exercising voting rights and other rights attached to shares

We exercise our voting rights at Annual General Meetings and General Meetings of investee companies.

Voting is a key expression of our stewardship and we make use of it to assist with our investment strategy.

We aim to exercise the voting rights we control on all occasions, subject to cost effectiveness considerations.

We will consider each resolution on its merits but, generally speaking, we will vote with management where we believe this is appropriate to the interests of our clients. Where we object or disagree with a resolution we will, initially, discuss our concerns with management and either satisfy ourselves that a vote in favour is consistent with our investment strategy or seek amendments that provide the necessary comfort. Where absolutely necessary, we will vote against, or withhold our vote for, resolutions that we do not believe are consistent with our investment strategy.

Where directors are uncooperative, or obstructive, we may vote against, or withhold our vote for, their re-election as a director. In extremis, we may put forward resolutions for the removal of directors. Such action is only taken where we have been unable to achieve agreement through proper direct engagement.

Our voting decisions are mainly driven by the potential impact of the underlying resolutions on long-term shareholder value. Occasionally there may be short term negative consequences of our voting, such as requiring additional investment in management or technology to improve corporate governance.

We do not currently make use of proxy advisers to guide us on voting. This is predominantly because of the relatively small number of investee companies we are invested in and our deep understanding of the circumstances of each investee company, gained through monitoring and engaging. In addition, we monitor the market generally to ensure we remain well briefed on trends and best practice as regards exercising our voting rights appropriately (for example trends in respect of percentages applied to disapplication of pre-emption rights for cash share issues). We do however keep the use of proxy advisers under review and engage with them should we consider it beneficial to our engagement processes in the future.

We provide on our website a general overview of our voting behaviour. This includes a summary of:

- Our voting behaviour generally
- An explanation of what we consider to be the most significant votes cast
- Our use of proxy advisers to guide our voting behaviour
- How we voted in general meetings (annual or otherwise) in relation to each investee company where we held over 3% of the equity together with a rationale behind votes against, or votes withheld for, significant resolutions proposed by management. We consider the significance or otherwise of each resolution on its merits and taking account the individual circumstances of each investee company.
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5. Co-operating with other shareholders

If necessary, to achieve our investment strategy objectives, we will co-operate with other shareholders, typically the larger ones, to effect positive change, preferably in collaboration with the company's advisers. We aim to make a positive and constructive use of these engagements for the benefit of the overall stakeholders in the investee company.

In this engagement, we are however careful to adhere to the rules regarding acting in concert / collective action and observing the rules, where necessary, around management of inside information. If we are in doubt as to whether or how to co-operate with other shareholders, we will seek the guidance of the investee company's directors and appointed advisor.

6. Communication with relevant stakeholders of investee companies

We may engage directly with other stakeholders of an investee company where we believe this will benefit our overall investment strategy, for example discussing the company with customers in the context of monitoring the investee company. However, where we believe it appropriate, or consistent with normal professional practice, we may either inform management of our intention to communicate or seek management's prior approval.

We carefully consider the potential impact of our, or management, actions in relation to other stakeholders especially where we act in a non-executive director role.

7. Managing actual and potential conflicts of interest in relation to our engagement

We aim to avoid conflicts of interest with our investee companies.

We are an investment manager with few if any other conflicting business activities. Other than acting in a formal capacity as non-executive directors (subject to periodic shareholder approval at general meeting) we rarely provide services to investee companies. We may on occasion purchase services from investee companies on an arm's length normal commercial basis or make charges for arranging funding.

On the rare occasion that conflicts may arise between the business activities of Kestrel and those of the investee company we ensure these are managed appropriately in the best interests of our clients and the investee company.

Actual and potential conflict issues are raised with the Kestrel Compliance team and escalated to the Investment Committee / Kestrel Board and or Fund Board / Client where appropriate.

We have adopted a conflicts of interest policy, which is disclosed in the Policies section on our website at the address: <https://kestrelpartners.com/>

This policy was reviewed and approved by the Management Board on 13 January 2026.

