



EOS INVESTMENT MANAGEMENT GROUP

Stewardship Policy *(Including Voting Rights)*

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Table of Contents

Introduction	3
Purpose and Scope of the Policy.....	3
Guiding Principles	4
EOS IM Stewardship activities.....	4
Portfolio Level	5
Policy Makers and Regulators.....	5
Conflicts.....	6
ESG	7
Implementation	7
Voting Rights	8
Majority shareholding / voting rights scenarios:	9
Minority shareholding /voting rights scenarios:.....	9
Training and Awareness.....	10
Revisions and Approval of this Policy	10

Introduction

This Policy describes the EOS Investment Management Ltd (“EOS IM”) and the wider EOS IM Group’s approach to stewardship, as part of responsible investment activity. This is integral to the philosophy, beliefs and practices that drive our behaviours as a responsible fund manager. We always strive to improve, as a fund management group in terms the exercise of governance responsibilities and engagement with the funds’ portfolio companies to help improve long-term returns to for the funds and thus the investors.

EOS Investment Management Ltd (“EOS IM” or the “Firm”) is an FCA (Financial Conduct Authority) authorised and regulated Fund Manager, and part of the EOS Investment Management Group (**EOS IM Group**). The EOS IM Group is a strong believer in good stewardship, the value it adds to its activities and as an integral part of sustainable and responsible investment processes.

The EOS IM Group operates in multiple jurisdictions, it follows an approach designed to align with international sound practices rather than committing to any particular single code established by any individual jurisdiction.

EOS IM Group provides services encompassing both fund management and related advisory services, focussed on alternative investment funds and sub-funds (together, the **Funds**). Currently, the investment strategies pursued by the EOS IM Group are private equity and infrastructure. Therefore, the approach to stewardship is adapted based upon the nature of these investments, where the Funds have majority or a qualified minority shareholding. Thus providing control and influence over investments.

EOS IM is a signatory to the UN Principles of Responsible Investment (“UNPRI”), which applies stewardship and engagement as core elements of the role of responsible investors. This approach aligns with and compliments the Policy set out in this document.

Set out below in this document is an explanation as to how stewardship is applied through the EOS IM Group’s policies, procedures, and controls.

Purpose and Scope of the Policy

The EOS IM Group has established and approved this Policy which is designed to provide the Group with a framework within which to apply stewardship to its activities.

EOS IM Group primary **stewardship objective** is for both its current investment strategies to maximise the overall value to its relevant stakeholders. Other key stewardship objectives are the following:

- Establish and maintain proactive engagement with the Boards of investee companies within the portfolio of the Funds, including through voting rights;
- Promote strong and effective governance of investee companies;
- Align incentives with value creation;
- Create enduring value for the relevant Fund and key stakeholders through sustainable business practices;
- Promote Environment, Social and Governance (ESG) standards for sustainable investment, through investee companies;
- Establish and maintain proactive engagement with Policy makers and Regulators;

- Ensure that stewardship activities are exercised in accordance with the investment objectives and policy of the relevant funds and with the objectives of EOS IM, with particular reference to the ESG Policy adopted;
- Identify the suitable instruments of reporting the activities of engagement performed.

The Policy applies to the whole of the EOS IM Group and its Personnel.

Stewardship is an ethic that embodies the careful and responsible planning and management of resources, owned or managed. The EOS IM Group applies the stewardship approach in accordance with this Policy to the Funds and portfolio companies for whom it is appointed as fund manager and/or advisor.

The EOS IM Group also sets out in its Stewardship Statement, which is located on the Website, the approach taken in accordance with the UK's Stewardship Code and the related regulatory requirements.

The Funds to which the EOS IM Group currently provides services pursue private equity and clean energy infrastructure strategies, which involves investing in unlisted European companies. Stewardship is managed through policies and procedures, including the integration of investment and ESG frameworks linked to direct involvement with the investee companies. Stewardship activities are conducting in each asset class through internal staff and its appointed investment advisers.

Guiding Principles

The PRI defines stewardship as: "the use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns, and clients' and beneficiaries' interests depend."

Financial regulators and policy makers are increasingly encouraging institutional investors to take an active role in overseeing and influencing investee companies, including through stewardship codes. These codes or standards outline good practice for investor engagement with companies and are designed to enhance the quality of this engagement. Some examples of these codes and standards are as follows:

- UK Stewardship Code
- European Union Shareholder Rights Directive II (217/828/EU)
- G20/OECD Principles of Corporate Governance
- OECD Responsible Business Conduct for Institutional Investors
- UNPRI

EOS IM Stewardship activities

EOS IM's approach to stewardship is determined on a case-by-case basis, taking into account the EOS IM Group's duties to the Funds, the nature of the investee companies (in which the Funds are invested) and the actions that will lead to favourable outcomes for the value of the investments. For each entity in which the Funds invest in, a different prioritisation approach is therefor considered and set to properly address the specificity of each target company. This is accompanied by interaction with investors and other stakeholders and, when applicable, co-investors.

For what relates to sustainability matters, the engagement strategy of EOS IM focusses on the most significant areas deemed material after the materiality analysis, defined as follows:

- Environmental topics: GHG Emissions, Air quality, Energy efficiency, Water management, Waste and hazardous materials management, Biodiversity and ecosystem protection, Product design and lifecycle management;
- Social topics: Human rights, Gender diversity and inclusion, Employees Health & Safety;
- Governance topics: Supply chain: materials sourcing & efficiency, Governance and oversight control, Ethics, integrity and anticorruption.

In particular, EOS IM engages primarily through two methodologies, covering downstream (portfolio level companies) and upstream (policy makers and regulators) scenarios.

Portfolio Level

EOS IM Group is fully engaged with the Funds' underlying portfolio companies, held as investments in most cases acting as a controlling shareholder. Engagement is conducted in two stage (a) pre-investment and (b) during investment period.

Engagement typically takes the form of active communications (verbal and written) between EOS IM and the portfolio companies during which issues, EOS IM requirements and expectations on behalf of the relevant Fund(s) are discussed, with EOS IM representing the Fund as Fund Manager (or if relevant in the capacity as investment adviser). Engagement activities take place also in the occasion of the periodic monitoring of KPIS, such as ESG KPIs, through data collection on relevant Fund performance.

Good engagement identifies relevant criteria and supports the establishment of an appropriate governance framework. This process is designed to encompass, consider and identify ESG issues, to set objectives, track results, map the escalation strategies and incorporate findings into investment decision making.

Prior to investment the Senior Management, minority co-owners (if relevant) and EOS IM will have established an understanding of these requirements and expectations. Therefore, active engagement continues after the investment has occurred.

As the Funds' investment in portfolio companies is invariably, by way of majority ownership of the entity, the EOS IM Group primarily engages with the management of the portfolio companies by way of participation on the Board (or any relevant committee) of the portfolio company.

The EOS IM Group takes a consistent approach to engagement with companies in which the Funds invest, in all of the relevant jurisdictions. The EOS IM Group has therefore determined that it does not consider it appropriate to commit to any one particular code relating to any individual jurisdiction, also, this approach takes into consideration that in all major target jurisdictions the stewardship codes are focussed on listed companies rather than unlisted ones.

The engagement activities and the results will be monitored by EOS IM through its programme including both company and portfolio reviews.

Policy Makers and Regulators

EOS IM actively engages with Policy Makers and Regulators in relation to the creation and implementation of the requirements around stewardship and the wider ESG aspects of its operation. This engagement is conducted indirectly through third-party organisations. EOS IM is an active member of third-party organisations, including associations and non-profit organisations, which

engage with policymakers. As of the date of this Policy, EOS IM is a member (or participates to relevant activities) of the following organisations:

- **PRI** (Principles for Responsible Investment) formed by the United Nations, this is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions;
- **AIFI** (*Associazione Italiana del Private Equity e Venture Capital*), the Italian private equity and venture capital association;
- **ELITE**, the unique platform created by Borsa Italiana (part of the London Stock Exchange Group) specifically for the most exciting and ambitious European SMEs which have a sound business model, clear growth strategy and a desire to obtain funding in the near future. The scope encompasses 23 countries and over 30 sectors;
- Private Equity Monitor (**PEM**) and Venture Capital Monitor (**VeM**), both active within LIUC – Università Carlo Cattaneo and supported by AIFI.

Moreover, EOS IM also interacts with governmental bodies in relation to matters such as permits, construction and operational requirements, taxes. All such relationships are conducted on a professional arms-length basis. Behavioural standards are encompassed in the various policies established by the EOS IM Group to support this approach. EOS IM also interacts with local communities; this type of engagement occurs both as part of the permitting process and during the construction / operational phases of the development.

The method EOS IM uses to engage with the sustainable finance ecosystem is by providing technical input on ESG related laws, regulations, and policy change by actively participating in trade associations, working groups and committees, who in turn engage with policymakers.

It is therefore considered that although EOS IM does not have any direct political influence, through the third-party organisations, it can as part of the alternative fund management industry, have an input to the drivers for change and sound practice. This responsibility for the approach to political influence is held at the Board and C-Suite level staff, with these individuals being fully aware of the organisations position on sustainable finance and commitment to the 6 Principles of the PRI.

For further information please see EOS IM policies on <https://www.eosimgroup.com/sustainability/>. EOS IM publicly discloses details of policy engagement activities on the company website <https://www.eosimgroup.com/sustainability/>

Conflicts

The EOS IM Group is of the view that in addition to any regulatory requirements, as a matter of integrity, it must ensure fair treatment of its Funds and clients through managing each and all, potential and actual, conflict of interest that may arise at any time during the life of the EOS IM Group. This being a matter of both internal policy and the operation of sound business practice.

The EOS IM Group maintains a Conflicts of Interest Policy, which is designed to ensure that the Group manages conflicts of interest fairly. Any conflicts identified, and mitigations or actions taken to

manage the conflict, are documented. Furthermore, EOS IM is more and more engaged in keeping live, dynamic, and constructive dialogue with its Funds' investors.

ESG

The EOS IM Group considers ESG to be central to its investment ethos. Addressing ESG issues, risks and identifying opportunities has been determined by the EOS IM Group to be crucial elements for its approach to Stewardship in relation to the portfolio companies of Funds. This aligns with the importance that the UN PRI places upon stewardship. The overarching approach to ESG, is set out in the ESG Policy and in the Voting rights section below.

Implementation

As for the implementation of this Policy across the whole EOS IM Group, the following items are mandatory:

- Consideration of stewardship, as part of the investment process;
- Active appointment of EOS IM Group individuals as members of the Boards of portfolio companies, including as set out in the Voting Rights section below;
- Inclusion of ESG requirements in investment selection, due diligence, and post-acquisition plans (ESG areas are mentioned in the *EOS IM Stewardship activities* section);
- Application of selection criteria including prohibited sectors and activities under an Exclusion List.

The following items can be overruled in specific case (how and when explained below):

- Appointment of directors – In cases (although quite unlikely) where the relevant Fund has taken a minority stake in a portfolio company, it may not be possible to appoint a representative of the EOS IM Group to the Board. In such cases, should they arise, the investment decision will take into account the manner of EOS IM's / the Fund's involvement and the appropriateness of the resulting stewardship engagement, including leverage its right of voting shareholders in general meetings. See Voting rights below;
- Exclusion List – In certain circumstances, there is the potential for a target investment to be in a company which is involved in, linked to or has a part of its business directly involved in a sector which is included within Exclusion List. This matter would be carefully considered by EOS IM and the impacts duly assessed, with required courses of action. Such pre and/or post investment course of action may for example include cessation of the activity by the target company.

Stewardship efforts and results are communicated to the relevant individual and across the Group to feed into investment decision and vice versa in the following way:

- Investment Committee and Board meetings
- Investment Team meetings
- EOS IM Group Team meetings

Voting Rights

As at the date of the issue of this Policy, the Fund's voting policy is influenced by the two manners in which it invests in companies.

The Policy will apply a consistent core standardised methodology, which will vary slightly, dependent upon whether the relevant sub-fund invests either (a) in a manner whereby it holds the majority of shares / voting rights or (b) may be a minority position (shareholding/voting rights).

To date the Fund has focussed on and only invested in unlisted companies, whereby it has taken a majority voting position.

EOS IM will monitor all relevant corporate actions in relation to the Fund's voting rights and ensure that the exercise of voting rights is in accordance with the investment objectives and investment policy of the relevant sub-fund.

These corporate actions will be assessed using the following broad criteria:

- **Capital Measures**

EOS IM will, in general, only approve changes in the Fund's investments' capital structure, if they are not detrimental to the Funds' shareholders.

- **Governing Bodies**

EOS IM will assess its voting strategy concerning companies the Fund has invested in, based upon the potential impact of changes (in the Governing Body of the relevant investment the Fund has invested in).

This will take into account factors such as:

- will the vote lead to a decline in performance;
- do significant doubts exist about the competences of the current Governing Body;
- has there been or likely to be a legal or compliance failure and/or other severe misconduct;
- do significant doubt exist about the willingness to ensure an adequate female representation and to produce reports on company's efforts to diversify the Board.

- **Mergers and Acquisitions**

EOS IM will assess potential mergers and acquisitions on a case-by-case basis.

As guidance, it will vote in favour of a merger or a takeover if appropriate information exists and if the process and anticipated results are in line with the interests of the investors.

- **Reporting and Information**

If there is a lack of clarity and/or validity of the proposals and/or reports, EOS IM will consider these on a case-by-case basis.

As guidance it will abstain in such circumstances. In exceptional cases it may vote against the particular agenda items. If the financial statements are not compliant with standard accounting rules, EOS IM will vote against the acceptance of the annual financial statements.

- **Conflicts of Interest**

EOS IM, where such issues are identified, will act in a manner designed to prevent or manage any conflicts of interest arising, through the exercise of voting rights in accordance with its Conflict of Interest Policy.

- **ESG aspects**

EOS IM will support proposals advocating greater ESG disclosure or ESG norms and or/ codes (i.e., disclosure of environmental policies, such as on climate change; disclosure on social policies, such as human rights or health and safety; disclosure on governance policies, such as anticorruption and anti-money laundering; ESG reporting).

EOS IM will also act in a manner designed not to support failures in adequately managing or mitigating ESG risks; these latter are mainly referred to EOS IM ESG material topics.

There will be a slight variation as to how the methodology is applied, depending on whether the Fund is in a majority or minority position.

Majority shareholding / voting rights scenarios:

Where through the Fund's investment strategy, it has purchased, controls, and holds 100% or near 100% of the company, this will result in the Fund having the majority ownership. The Fund will therefore control the majority of the voting rights concerning such companies in which it invests.

EOS IM, on behalf of the Fund, will be able to both initiate a corporate action when required and to directly instructing the relevant company's governing body (in its capacity as the majority shareholder). The requirements for and the nature of corporate actions will be assessed in accordance with the methodology set out above.

Minority shareholding /voting rights scenarios:

Where the Fund is either in an equal joint venture or minority shareholder/voting rights scenario, it will not be able to assert the same amount of influence solely through ownership, as in the other scenario. The approach applied will therefore be as follows:

- Investments will only be made into corporate entities where following the appropriate investigations and due diligence it is confirmed that there is an alignment in objectives and requirements. Therefore, the entity will require limited likelihood for stewardship intervention;
- Where there is a fund manager / fund involvement, the above alignment is confirmed;

- Through legal agreements and practical application of governance structures, EOS IM has the powers to engage and deliver its approach to stewardship.

EOS IM will, however, continue to determine and tailor its precise course of action, based upon both the methodology set out above and the specific nature of the investment.

The Policy covers all the relevant activities of the Fund.

Training and Awareness

All relevant EOS IM Group personnel are provided with training and awareness in respect of Group policies, including this Stewardship Policy and the wider ESG framework.

Revisions and Approval of this Policy

This Policy is subject to the approval of the EOS IM Board (the Board) and will be made available to relevant external parties, where appropriate. The EOS IM Group also issues a Stewardship Statement, which is posted to the Website, summarising the approach. The EOS IM Group also issues a Stewardship Statement, which is posted to the Website, summarising the approach.

This Policy will be reviewed on a periodic basis and may be amended or revised from time to time by the EOS IM Group as the need arises.