



## **NOVA INVESTMENT MANAGEMENT LIMITED**

### **VOTING RIGHTS POLICY**

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# **1 INTRODUCTION**

## **1.1 SCOPE**

In accordance with S.I. No. 352 of 2011 - European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as may be amended, updated or supplemented from time to time, (the “Irish UCITS Regulations”), Nova Investment Management Limited (hereinafter also referred as the “Company” or “Nova”) established a Voting Rights Policy (hereinafter also referred to as the “Policy”).

The purpose is to define the strategy for the exercise of voting rights pertaining to the financial instruments in UCITS set up and/or managed by Nova.

Nova recognises that sound corporate governance is crucial to improve the value of its equity investments, therefore the Company exercises its voting rights with the aim of enhancing and promoting long-term value creation in the UCITS' investee companies in the best interests of its clients, and monitoring and engaging with companies to improve their ESG standards and implement sustainable business practices.

As part of the Azimut Group - a signatory to the UN Principles for Responsible Investment (UN PRI) - Nova promotes responsible investment by encouraging sound governance and sustainable environmental and social practices. This is achieved through proxy voting, active engagement with company management, internal governance research, and participation in industry initiatives such as surveys and events.

The Policy sets out awareness, independence, and discretion in the exercise of voting rights, as well as organisational and procedural facilities aimed at pursuing the exclusive interest of the UCITS and the adequate management of conflicts of interest envisaged. Nova maintains a separate policy in accordance with the European Union (Shareholders' Rights) Regulations 2020 (as may be amended, updated or supplemented from time to time).

## **2 ROLES AND RESPONSIBILITIES**

Nova has clearly defined the roles and responsibilities of the corporate bodies and functions involved in the processes relating to voting rights management, as well as those responsible for implementing and/or supervising and/or managing the implementation of this Policy.

## **2.1 BOARD OF DIRECTORS**

The Board of Directors of the Company (the “Board”) is in charge of determining Nova’s proxy voting strategy and is responsible for ensuring that the Policy is properly followed, in the best interests of the clients of the UCITS.

To that effect, the Board:

- Is ultimately responsible for approving and updating this Policy.
- Oversees the implementation of this Policy.
- Issues additional voting guidelines (where deemed appropriate).
- Ensures that the exercise of voting rights is performed in accordance with the investment objectives and policy of the relevant UCITS and in the best interests of the clients and of the UCITS in the long-term.
- Prevents or manages any conflicts of interest arising from the exercise of voting rights.

## **2.2 INVESTMENT COMMITTEE**

The Investment Committee assists the Board and the Designated Persons to meet their oversight responsibilities in relation to the Company’s sustainability policies and practices.

The role of the Investment Committee in relation to the exercise of the voting rights is, inter-alia, to:

- Provide support to the Board on ESG matters and may propose amendments to the ESG Policy.
- Assist the Board and the Designated Persons in the context of the:
  - ✓ supervision of the proper implementation by the Portfolio Management function of the ESG Policy in the investment process.
  - ✓ monitoring of the voting rights through information received by ISS (as defined below).

### **2.3 PORTFOLIO MANAGEMENT**

The Company/relevant delegate investment manager (where portfolio management has been delegated the relevant delegate manager will perform the task) is responsible for analysing all share/unitholder meeting agendas and vote recommendations.

### **2.4 COMPLIANCE FUNCTION**

The Compliance Function supports the Board with the assessment of potential and identified conflicts of interest during the investment cycle and in the exercise of voting rights. The Compliance Function together with the Investment Committee determines the requisite steps to manage the conflict of interest, when needed, as further specified in paragraphs below and in line with the Conflicts of Interest Policy.

The Compliance Function, in conjunction with the Investment Committee, is responsible for reviewing the Policy and to regularly ensure its compliance with applicable laws.

## **3 VOTING ACTIVITY**

Nova shall exercise its voting rights for the instruments pertaining to each UCITS managed and for exclusive benefit of the UCITS itself and related investors. To this end, in accordance with the principles of this Policy, the Company ensures that the voting rights are exercised in line with the best interest of investors and encouraging strong corporate governance and sustainable environmental, corporate and governance practices.

Companies that adopt strong sustainability and governance policies are more likely to be successful in the long-term, to better protect the interest of all their stakeholders, to be better positioned to deal with financial and non-financial risks (ESG risks), and to seize business opportunities associated with sustainability challenges.

Therefore, Nova shall exercise the voting rights in respect of investee companies in the best effective and responsible way, as detailed hereunder.

### **3.1 GUIDELINES AND PRINCIPLE**

Nova believes that one of the drivers of investment performance depends on corporate governance principles and practices.

To that respect, the Company carries out its duties as a responsible investor by:

- Preferring companies with high ESG scores, integrating ESG factors into the investment analysis and decision-making processes, as further detailed in the ESG Policy.
- Engaging in a constructive dialogue with investee companies on financial, governance, environmental and social issues.
- Exercising voting rights in AGMs and EGMs to ensure strategic resolutions are made in the best interest of investors, to promote high standards of corporate governance and practices, and to ensure that sustainability issues are thoroughly considered.

Nova has defined the following set of principles constituting the framework for its corporate stewardship and voting activity.

#### Voting at all General Meetings

The Company aims to exercise its voting rights in all shareholders' meetings of the investee companies, as these are the main occasions to impact corporate decisions.

Nova aims to vote either for or against a resolution and only to abstain in exceptional circumstances such as where its vote is conflicted, or when there is insufficient information to make a decision.

Only where investee companies listed in jurisdictions that require shares to be temporarily immobilised from trading until after the shareholders meeting has taken place ("share blocking markets"), Nova then refrains from exercising voting rights, deeming the right to dispose of shares at any time more important than taking part to these meetings. It should be noted, however, that only a limited number of companies are listed on share blocking markets, allowing Nova to exercise its voting rights on most of its holdings.

#### Company Boards

Investee companies should be composed in a way to ensure that there is an adequate range of skills, knowledge, experience, and diversity (in terms of, for example, gender, ethnicity, age, tenure) among the directors and a balance of power and authority between them.

The Company expects the board of directors to meet minimum standards of independence. Therefore, the Company values the presence of independent directors, as a means of exercising effective oversight over executive and non-executive directors when it comes to challenging the investee company's management on its strategy and on material risk issues where necessary.

#### Reports and accounts

Reports and accounts of investee companies should be based on full and accurate information and meet generally accepted reporting standards. The quality of the information provided in the annual reports is taken into consideration in the Company's voting decision, and inadequate or insufficient information is likely to result into a negative.

#### Compensation

Nova expects investee companies to provide transparent and comprehensive information of their remuneration policies and practices, as well as the principles that inspire them. The remuneration policy should ensure that the remuneration of key people is aligned with the long-term interests of the company and its shareholders, with clear links between remuneration, performance, and performance objectives.

To this end, the Company advocates that most of executive variable compensation be deferred and/or paid via share-based incentives. Share-based incentives should be vested after a period of no less than 3 years to motivate the investee company's management to create sustainable long-term value for shareholders and other stakeholders.

#### Protect Shareholder Rights

Nova strongly believes in the principle of "one share, one vote". Therefore, it will generally vote against any proposal that seeks to restrict, undermine, dilute, or limit the exercise of shareholder rights.

The Company also believes that any public offer should be evaluated and voted by the company's shareholders. Any anti-takeover measure or other "poison pill" arrangement will be voted against as deemed contrary to the interests of shareholders.

#### Dividends

Dividends should be set at a level that is sustainable in the long-term considering the financial situation of the investee company. The pay-out ratio should balance the remuneration needs of the shareholders, with the need to preserve the financial strength of the company and its ability to invest for its long-term growth.

## Audit

Auditors are required to carry out independent and objective controls on how financial accounts have been prepared, and to report any material weaknesses that may have been detected.

In order to perform their duties independently, external auditors should rotate over time as a further means of ensuring the integrity and reliability of the external audit process.

Nova negatively values instances where the non-audit fees paid to auditors exceed audit fees, as this could undermine the quality and independence of the audit.

## Non-financial Performances

In exercising voting rights, Nova considers the environmental and social impacts of the companies in which it invests. Besides integrating ESG factors into the investment process (further details on this can be found in the ESG Policy), Nova considers PAIs with the goal of minimising them.

To achieve this goal, in addition to the application of exclusion criteria where possible, Nova aims to minimise key adverse impacts on sustainability factors of investee companies through the exercise of voting rights in order to incentivise investee companies to improve their ESG standards and implement sustainable business practices. The exercise of voting rights thus enables Nova to effectively contribute to the reduction of PAIs.

## Stewardship and Engagement

The Company believes that its role as a responsible investor is not limited to just exercising voting rights at general meetings.

To better serve the long-term interests of the UCITS it manages and to enhance the value of Nova's equity investments, the Company and its delegates' portfolio managers maintain a regular, systematic, and direct contact with the top management of the investee companies, which is critical to ensuring constructive engagement with them. Divestment is generally a tool of last resort for Nova, to be used only after the path of engagement and communication has been taken without success.

### **3.2 PROXY VOTING SERVICE PROVIDER**

To enhance its capability to actively engage, participate to shareholders meetings and exercise voting rights, Nova has retained Institutional Shareholder Services, Inc. (hereafter “ISS”), an independent third-party proxy voting service provider.

ISS provides Nova with research, voting recommendations and support in relation to voting activities in investee companies. Since Azimut Holding SpA (the parent company of Nova) is a UN Principles of Responsible Investing (“PRI”) signatory, Nova has subscribed to the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

#### Exercise of the voting rights

ISS provides Nova with a comprehensive analysis of the proxy proposals, recommendations on how to vote in respect of each proxy proposal based on the ISS Sustainability Policy. ISS voting recommendations are monitored by the portfolio management team of Nova and of its delegates.

In almost all cases, proxies will be voted in accordance with the ISS recommendation, but Nova reserves the right to override the advice received by ISS if deemed in the best interests of the UCITS and related investors.

The vote on each resolution, as validated or overridden by Nova, is cast by ISS and records of the voting activity are available in the ISS proxy voting platform.

#### Conflicting votes

In case a security is held in multiple sub-funds, Nova may cast different votes in case the sub-funds have different investment objectives, investment styles, or portfolio managers.

#### Securities Lending

Voting rights cannot be exercised on securities while they are out on loan. The Company may recall stocks to exercise the voting rights at the shareholders’ meeting. The decision to recall or not depends on the balance between how crucial participation to the meeting is and the relevance of resolutions to be voted on the one hand, and the loss of revenue deriving from lending activities, on the other.

## 4 RULES OF CONDUCT

### 4.1 CONFLICTS OF INTEREST

To ensure that voting rights are always exercised for the exclusive benefit of the UCITS, Nova carefully assesses situations that may give rise to potential conflicts of interest. The Company's Conflicts of Interest Policy governs this activity and the corresponding prevention and management measures. Furthermore, depending on the nature of the conflict, Nova may abstain from exercising its voting rights to prevent potential connected risks between the Company, the UCITS and the investee company.

In particular, Nova is responsible for the identification of conflicts of interest that may arise in the proxy voting process. Potential conflicts of interest may include, among others, the following scenarios:

- Material business relationship with another party entitled to exercise voting rights/proxy proposal for the same company; such a business relationship may influence how the proxy vote is cast.
- A professional having an interest in the Investee Company being voted on due to affiliation (e.g., as a board member of the portfolio company) and who may seek to influence the voting process.
- Nova's third-party proxy voting service provider, if any, may provide advisory services to corporate clients (which may be investee companies) whilst at the same time providing proxy voting recommendations to Nova. The third-party proxy voting service providers could in these situations influence Nova's treatment in its recommendations due to the use of its services.
- In exercising its responsible investments activities, Nova may vote against the management of a company who is a client of Nova.
- Third-party research provider / ESG service provider does not maintain autonomy and independence and / or does not communicate any possible conflict of interest to the Nova.
- Nova exercises its voting right for financial instruments held by the managed UCITS that are issued by the parent company or by other Group companies and traded on regulated markets.

The Compliance Function will work to determine the steps to manage the potential conflict of interest in accordance with the Company's Conflicts of Interest Policy. Possible resolutions may include:

- Voting in accordance with the recommendations of a third-party research provider,
- Refraining from exercising its voting rights,
- Disclosing the conflict to the investors and obtaining their direction to vote the proxies.

Proxies will always be voted in the best interest of the investors and the UCITS, regardless of any material relationship with a proponent of a proxy proposal or business or personal relationships, which may exist with participants in a proxy contest.

For a broader overview on the management of conflicts of interest, refer to the Nova Conflicts of Interest Policy.

#### **4.2 CONFIDENTIALITY AND OVERSIGHT OF INSIDE INFORMATION**

#### **4.3 NOVA GUARANTEES THE SEGREGATION OF INSIDE INFORMATION OF THE GROUP'S ISSUERS TO PREVENT THE CIRCULATION OF INFORMATION BETWEEN THEM AND THE FUNCTIONS OF NOVA OR THE PARTIES WHO EXERCISE VOTING RIGHTS ON BEHALF OF THE MANAGED UCITS. IN THIS REGARD, REFERENCE SHOULD BE MADE TO THE MEASURES ENVISAGED BY THE COMPANY'S MARKET ABUSE POLICY ON THE MANAGEMENT OF INSIDE INFORMATION. TRANSPARENCY TOWARDS INVESTORS**

Nova is committed to being fully transparent in its voting approach and activity. For this reason, it makes available on its website (<http://www.novainvestment.ie/>) a copy of this Policy..

Additionally, Nova implemented for the managed UCITS the ISS Governance reporting tool to ensure dynamic and transparent voting rights disclosure to all the stakeholders. Comprehensive reporting dashboard has been implemented and is available on Nova website (<https://novainvestment.ie/engagement/>). Example of information that are transparently published on this section are the following:

- votes cast by proposal category.
- meetings by markets.
- meetings by meeting type.
- meetings by sector.
- voting statistics.
- alignment with management

## **5 REVIEW AND UPDATES**

This Policy will be reviewed at least annually by the Chief Investment Officer and submitted to the Board for approval to ensure compliance with legal and regulatory requirements as well as with any recommendations for Compliance framework improvement (e.g., Internal Audit recommendations, self-identified issues).

More frequent reviews can occur, whenever appropriate due to as a result of any relevant circumstances (e.g., significant regulatory updates, indications from the industry or requirements by the Central Bank of Ireland, indications from gap analyses conducted for or by the Company, new national or international guidelines, or if required following the completion of any self-assessment performed by the Company in accordance with applicable legislation.

In the absence of any express amendment, approved by the Board, the Policy will be deemed renewed in its current version.