Engagement Policy

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www.dpamfunds.com

Introduction

This document is the engagement policy (hereinafter referred to as the “**Engagement Policy**”° of Degroof Petercam Asset Management (hereinafter referred to as “**DPAM**”), a subsidiary of the Degroof Petercam group. It has been validated by the Management Board. It amends and restates the first version of the engagement policy which was released in Q1, 2016.

It is applied consistently to all investment funds which are managed by DPAM (by designation or delegation) (the “**DPAM Funds**”) and invest in all asset classes independently of the adopted sustainable approaches (ESG integration, best-in-class, sustainability themes, norms-screening, etc.) It also brings added value for discretionary portfolio management mandates DPAM manages on behalf of institutional asset owners/investors. It goes beyond existing investments as it also applies to investment opportunities and collaborative engagement initiatives on various ESG issues that DPAM supports without being necessarily shareholders of the engaged companies. In other words, engagement is used as a due diligence process, fully integrated in DPAM’s commitment to Active, Sustainable & Research-driven.
Indeed, as actively sustainable, dialogue with the companies and other stakeholders is at the heart of our fundamental research and investment process.
DPAM is convinced about sustainable and responsible investments and this is deeply ingrained in our corporate DNA since 2002.

Competitive advantage
Sustainability is a prerequisite for the longevity of issuers

Best practices and best efforts
We want to select the companies with optimal behavior but also reward the runner-ups which are making efforts to improve

Long-term value generation
Companies which take into account secular sustainability challenges will be able to thrive financially and create sustainable added value in the long term.

Independent asset manager
Thanks to our independent position, we have been able to develop innovative solutions and have been in the vanguard of country sustainability screening.

Engaging in dialogue with a company, either through proxy voting or direct dialogue is a means to fine tune fundamental research-driven investments decisions and to spread best practices and innovative solutions regarding ESG challenges.
This document therefore outlines DPAM’s vision of effective and sustainable investment (§1). It explains why (§2) and when (§3) we engage and what we expect from investee companies (§4). It further details how we practically engage (§5). Finally, it states how we report on our engagement (§6).

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1. Responsible investor: DPAM's vision

Being a responsible investor goes beyond offering responsible products; it is a global commitment at company level which needs to be defined in a coherent approach.

Being a responsible investor first and foremost involves raising key questions about the consequences of DPAM's investment activity in a global context, i.e. looking beyond pure financial profit and taking into account all stakeholders whilst considering the consequences of an investment. Raising questions, utilizing experts, sharing information and engaging with a positive yet critical mind-set imbed DPAM professionals with a sense of responsibility and prompts them to act in full knowledge of the facts.

As a shareholder and economic player, DPAM accepts its social responsibility. Holding shares in a company offers the opportunity to express an opinion on the management of that company, and as a responsible investor DPAM must make its voice heard. Adopting a voting policy and participating in general and extraordinary shareholders' meetings are also an integral part of an investor's responsibilities. DPAM can speak up so that the companies in which it invests are managed according to best practices in terms of corporate responsibility. Engaging in dialogue with the company, either through proxy voting or direct dialogue during meetings with its representative, is a mean to ensure that the rights of shareholder are respected, as well as those of other stakeholders. Responsibility is therefore also a tool that can be used to work towards a more sustainable financing and economic system at global level.

To defend best practices in terms of corporate governance and ESG challenges, DPAM refers to various reputed sources such as the International Corporate Governance Network (ICGN), the 10 Principles of the UN Global Compact, the OECD guidelines for multinational enterprises, the Sustainable Development Goals set up by the United Nations, the OECD Due Diligence Guidance for Responsible Business Conduct, the Principles of Responsible Finance, the recommendations of the Task Force Climate-related Financial Disclosure (TCFD), etc.

DPAM has a threefold commitment to sustainable investing:

1. To uphold fundamental rights as per the UN Global Compact. Companies are assessed on the basis of the 10 Principles of the UN Global Compact, which are grouped into four major principles: human rights, labor rights, environment and anti-corruption efforts. Drawing on specialized and independent research, a company will be categorized as compliant, non-compliant or will be put on a watch list.

2. To avoid controversial activities that may affect reputation, long term growth and investments. The following controversial sectors are excluded from the investment universe for our sustainable funds: tobacco, gambling, defense and pornography. Other controversial sectors or business activities are not specifically excluded since inception but are covered by our Controversial Activities Policy.

3. To be a responsible stakeholder and to foster best practices and evolutions. In this context, as part of collaborative and dynamic global networks we gain a better understanding and knowledge of the challenges and opportunities associated with responsible investing. DPAM's vision of being a responsible investor is articulated into three
pillars:

1. Raising key questions about the consequence of our activities;
2. Being a shareholder which engages in a constructive dialogue with companies and ensuring the rights of shareholders are fully exercised
3. Being committed to long-term objectives and sustainable financing.

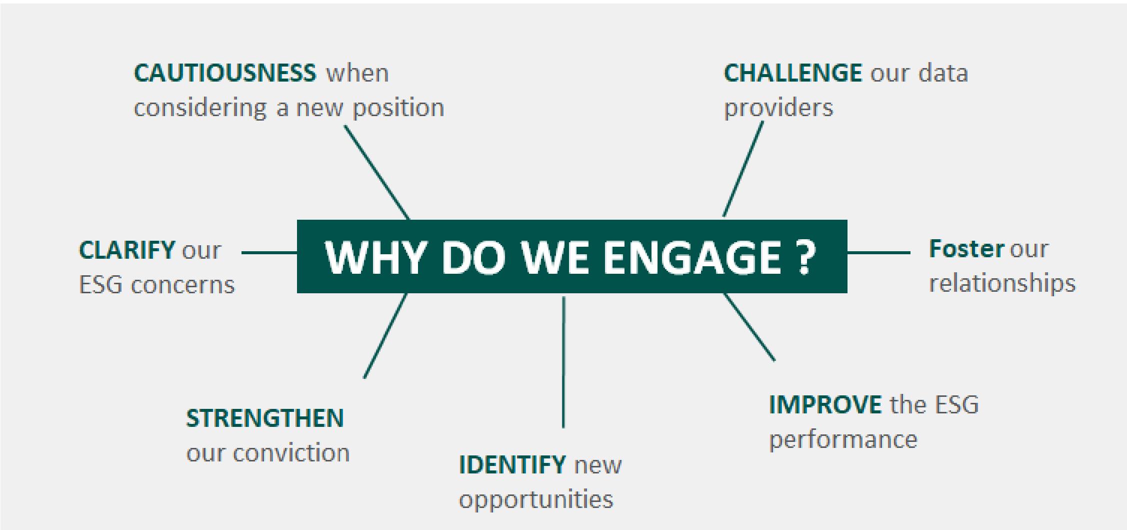
To endeavor this, DPAM must engage a constructive dialogue with the companies, based on an approach aimed at being:

- ✓ Pragmatic
- ✓ Consistent
- ✓ Supportive of best practices
- ✓ Rationale
- ✓ Pro-active
- ✓ Defending clients' interests

With a corporate responsibility which is consistent with international standards and conventions, DPAM is committed to responsible investing.

2. Why we engage

- ✓ To defend our corporate governance principles in line with our voting policy
- ✓ To add real value to the investment process as companies with strong ESG performance tend to outperform. Therefore, it is important that material ESG issues are discussed with companies and their management teams
- ✓ To identify and mitigate risks with corporate management and therefore to optimize the risk/return profile of our portfolios; good corporate governance and social responsibility enhance the long-term risk return profiles of the investee
- ✓ To assess business and investment opportunities as answers to ESG challenges
- ✓ To better understand the companies to make long-term investment decisions
- ✓ To demonstrate the long-term commitment as opposed to the trend of short-termism within the markets
- ✓ To constructively recommend corrective measures and best practices.



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3. When we engage

Engagement can often be a long process where outcomes are not always visible until years after the initial engagement. As a result, priorities in engagement topics and themes must be done to optimize impact and efficiency. Secondly, in such cases, DPAM takes a pragmatic approach and recognizes that ‘overnight’ changes will not occur. Accordingly, companies will be closely monitored and regular interactions will take place to understand the responsiveness of the company. In cases where engagement has limited impact, the investment case for the underlying security will be reviewed.

DPAM sees engagement in the broad meaning of the term i.e. it could take the form of formal engagement process with clear targets and escalation program, voting at shareholder meetings and inform beforehand the company about specific voting instructions or entering into an engaged dialogue with the company during meetings to get more clarity on ESG practices and vision. Whatever the used channel to engage with the company, the aim is to improve our investment decision making process and engagement is seen as a management tool that investors should fully embrace in order to better assess global risks, to uphold certain values and best practices, to assess opportunities and in doing so, to encourage companies to become more sustainable. It is therefore a long-term process which, due to the snowball effect and provided it is well-structured, creates added value for companies and enhances their performance as well as the long-term viability of investments.

DPAM adopts a proportionate approach when applying this Engagement Policy. Engagement will therefore depend on DPAM’s investment exposure as well as the materiality of the issue. As a management tool, it is valuable information for any investment decisions DPAM professionals could take either for investment funds managed by DPAM (by designation or delegation) or for discretionary portfolio management mandates DPAM manages on behalf of institutional asset owners/investors.

The engagement topics and priorities are reviewed on a case-to-case basis according to the principles stated in:

1. our Proxy Voting Policy (available here): the voting policy adopted by DPAM aims to defend the values and principles with regard to corporate governance that DPAM wishes to see advocated and applied by the companies in which DPAM funds invest. For sake of transparency and promotion of best practices, the Voting Advisory Board has defined five key topics on which DPAM systematically informs the companies on its voting instructions and expectations in terms of best practices and progress.
2. our Controversial Activities Policy (available here): any doubt about a company’s involvement – be it invested or candidate for portfolio’s – in the controversial activities as listed in our policy will have an engaged dialogue as a result with the company’s management. It could be questions regarding potential interaction with defense and armament sector for IT and technology companies developing security software for example.
3. our Sustainable & Responsible Investment Policy : this refers to DPAM’s vision of integrating ESG in investment making decision process and the philosophy, commitment and approach of sustainable strategies. Key questions regarding ESG challenges can raise at any moment in the process and could require entering in dialogue with the different stakeholders for a better understand. Indeed, DPAM’s approach regarding sustainable and responsible investments is the path of pragmatism and dialogue.

Given the multiple challenges and interactions companies are exposed to, a cautious and open-minded attitude is required, which is why DPAM has adopted an approach based on dialogue and collaboration. This collaborative process takes place both within the firm and externally:

a) First of all, ESG considerations are discussed internally in close cooperation with investment professionals so as to challenge financial and extra-financial findings and recommendations. This open discussion increases the awareness of investment professionals as regards ESG risks and opportunities and enables a better understanding of sectorial challenges from both approaches, i.e. the financial and extra financial ones. It also makes it possible to challenge, where applicable, the external information and assessment of ESG ratings for companies as received from specialized agencies.

b) Secondly, external initiatives stimulate debate on complex ESG issues in a positive yet critical manner then paving the way for the implementation of new ESG approaches, while enriching our in-house ESG expertise. It is critical to the long-term success of our investment strategies that this approach remains permanent, dynamic and pro-active, thus allowing us to improve both our ESG knowledge and the financial research process and methodology through discussion, debates and interconnectivity with external experts. By organising events with external specialists on specific sustainability topics, DPAM aims to raise awareness among all its investment professionals regarding ESG issues. Finally, DPAM aims to promote best practices in all sectors, including those considered "unsustainable", by privileging the promotion of corporate best practices within each sector and identifying ESG-leaders and ESG-laggards. Company meetings are an opportunity to foster communication and are an efficient way to assess the ESG involvement of companies in which DPAM is investing or may invest. During meetings with senior company management, DPAM's investment professionals raise questions related to ESG issues and are able to engage with the company to promote ESG best practices

4. What do we expect from investee companies

Engagement is assessed on 5 key points :
1. Willingness of the company to engage in a dialogue
2. Acknowledgment of the significance of the ESG issue raised
3. Willingness to improve ESG performance
4. Active implementation of a policy or a target
5. Evidence of tangible improvements

This Engagement Policy covers engagement in relation to investee companies on matters such as:

- Environmental concerns such as transparency regarding climate change strategy, responsibility in case of environmental catastrophe (e.g. oil spillover), etc.;
- Social concerns such as product safety and transparency of clinical trials with pharmaceutical companies, human rights of local communities for huge infrastructure projects, labour rights in supply chain in emerging countries, etc.;
- Corporate governance issues such as tax policy transparency and tax evasion, corruption and bribery rumors, cartel and price manipulation, etc.;

5. How do we engage - engagement process

DPAM distinguishes four different types of engagements: collaborative engagements, engagements in the framework of our voting policy, engagements to support our practices to increasingly integrate ESG criteria in the fundamental analysis of companies, and engagements for advocacy actions.

A. Collaborative engagements - PRI Clearing House

The Clearing House is a private platform available for UN PRI signatories to encourage information sharing and collaborative engagement with investee companies and policymakers. To date, more than 700 collaborative engagements have been posted.
Through this, DPAM is offered opportunities to support collaborative engagement initiatives on various ESG issues, without being necessarily shareholders of the engaged companies.
Recognizing that engaging collectively can have a greater impact, DPAM will pragmatically engage in collaborative engagement through the PRI's Clearing House. Companies are more likely to be responsive when a group of investors are mobilized towards a specific and focused issue.
As more than 700 collaborative engagements have been posted on the platform, DPAM is however highly selective when choosing collaborative engagements and, when acting with other investors, has due regard to the applicable rules on "acting in concert", market regulations, its own policies on conflicts of interest and insider information. Engagements will often be selected on the basis of the relevance to DPAM's holdings and the ability to influence a company.
The platform allows investors to:

- ✓ Jointly sign letters to companies
- ✓ Request support for an upcoming shareholder resolution
- ✓ Request a dialogue with policy makers
- ✓ Join investor-company engagements on specific ESG themes (e.g. water risks and slavery).

Next to contributing to a collaborative engagement, we will use the knowledge we gathered during the process to extend our scope to any additional smaller companies that we have in our portfolios to discuss with them about the topic as well.

B. Engagements in the framework of our voting policy

Being a responsible investor is a genuine management tool allowing DPAM to assess the quality of mainly the 'G' in its integrated ESG approach.
Committed to transparency and promotion of best practices, DPAM wants to make sure its voting intentions are clearly understood.

First of all, our voting policy, which is available on our website, provides a detailed overview of the guidelines applied to the bulk of the cases. The annual voting activity report, which is also available on our website (here), provides an overview of the major voting tendencies. These documents are available to any company in which DPAM holds shares and which would like to know the outcome of its voting instructions.

Subsequently, the Voting Advisory Board, the official committee responsible for the strategic framework of responsible ownership of DPAM, has adopted an engagement process with the companies in order to inform them about the voting instructions. The engagement aims to inform and influence companies by raising awareness about the four principles governing our voting policy, namely:

1. The **protection of shareholders** with the aim of creating long-term value and the equal treatment of shareholders on the basis of the principle "one share, one vote, one dividend" and the protection of minority shareholders;
2. **Sound corporate governance**, which is related to efficient and independent management and monitoring systems;
3. The **transparency and integrity of information**, which should be reliable, clear, comprehensive and communicated in a timely manner;
4. The **social and environmental responsibility** of a sustainable company, ensuring that its human capital is put at the core of its interests and that the global environment in which it operates is respected.

Against that backdrop, the Voting Advisory Board has identified five key topics on which DPAM is committed to inform systematically and beforehand of the shareholders general meeting :

1. The **election or re-election** of a board member is not valid for technical reasons. In that case, DPAM casts a positive vote, but encourages the company to provide more detailed and transparent information, which is consistent with its principles of integrity and transparent information;
2. The **independence of the board** of directors is not guaranteed because its composition lacks balance. DPAM may abstain from casting a positive vote and encourage companies to increase the level of independency of its committees and board of directors. DPAM will systematically vote against combination of the roles of CEO and Chairman of the Board;
3. Anti-takeover **defences** (poison pills). DPAM rejects any initiative that may harm the rights of minority shareholders;
4. **Multiple voting rights**: DPAM is staunch advocates of the principle "one share, one vote, one dividend", and therefore is opposed to any initiative curtailing this principle;
5. **Remuneration – Say on Pay and transparency of the executive pay report**: in line with best practices which require among others, clear figure in order to determine performance indicators (performance objectives, qualitative criteria, etc.) in the medium term, clawbacks/malus on bonuses granted and specific payment conditions for the board, DPAM may decide to abstain from voting favorably on any initiative which may violate the interests of shareholders, such as the repricing of options in case of a management shift, which may discourage potential buyers from bidding on the company.

We essentially conduct our engagement autonomously by means of a letter to company executives. However, in the light of our overall engagement policy, which can also be downloaded on our website, we engage in a dialogue with several multinationals as we also work together with other investors.

These letters have three major objectives. Firstly, they aim to inform companies about our approach and make them aware of the principles that we defend. Secondly, they aim to show that applying sound governance practices can reduce the risk of a company becoming dysfunctional and may improve its performance. Finally, it is also an occasion to highlight social, environmental and governance challenges as well as the added value of sustainable development.

C. Engagements to support our fundamental analysis

In order to better understand ESG-related risk factors as well as opportunities and to complete fundamental research, DPAM will engage in contact with companies and ESG research providers and/or brokers in the following cases: better understanding of ESG risk factors and opportunities (1), controversial behavior of issuers (2), supporting disclosure and material and relevant ESG information (3) and advocacy reasons (4).
The engagement themes and engaged issuers are selected for the financial materiality degree in close discussion with analysts, responsible investments specialists and portfolio managers. The sectors exposure and the strategies' holdings impact as well the selection of themes and issuers.

1. Better understanding of certain risk factors and opportunities
   If a company is part of a business segment under which we have defined important KPIs or if we are aware of specific company level or sector issues that require follow-up to qualify the company, we will organize a call / meeting with the company or we will put these topics on the agenda of any planned meetings or conferences. With this in mind, we encourage our analysts and portfolio managers to integrate ESG issues and megatrends into their regular interviews with corporate management. The credit and equity analysts engage a lot through their meetings with the management, notably to gain more ESG information and to increase their awareness regarding the importance of ESG disclosure. Meeting notes are systematically shared across the teams.

2. Controversies
   Companies can face controversy or scandal which could present a financial and reputational risk. A reactive engagement could therefore be required to understand the taking and ending of the situation.
   In the case of our dedicated sustainable investment strategies for example, these exclude investments in companies that are involved in the most severe controversies. For this filter, we firstly rely on the classification system of the ESG research provider Sustainalytics, which classifies companies into 5 severity categories according to the impact and the level of recurrence of events, as well as the reaction and the responsibility of the company. Categories range from 0 (no controversy) to 5 (severe controversy). While companies in category 5 are automatically excluded from the investable sustainable universes, we will conduct detailed internal research on those in category 4 and 3 with negative outlook. For this research, the portfolio manager or involved sector analyst will work together with the ESG Specialist to review the issues in detail and to discuss them with external experts.
   Any in-depth analysis of important controversies companies might face might require engaged dialogue with these latter for mutual learning and information sharing. Furthermore, this analysis is relevant for any investment decision for traditional as well as sustainable portfolios.

   The final report is to be presented to the Responsible Investment Steering Group, which is the formal governance body in charge of the coherence, consistency and credibility of DPAM's investment process in the light of our strategic commitment toward Responsible Investing. Its members, by qualified majority will assess whether the issuer is eligible, eligible with engagement or ineligible.

   Besides the severities of the controversies companies might face, it is important to mention that DPAM has adopted a formal controversial activity policy to lay out its vision and positioning as regards controversial activities such as armament, nuclear energy, GMO's, etc. Please refer to the Controversial Activity Policy here for more information.

3. Supporting disclosure and material and relevant ESG information

Some small businesses tend to be less well covered by ESG ratings providers and do not publish as much information as large groups, which could result in low score and potential exclusion. Furthermore, the assignment to specific broad sectors might be inappropriate for specific companies specialized in particular economic activities. The criteria used to assess the ESG scores might result as irrelevant in low scores as well.

On the other hand, our investment professionals often have well established direct contacts with company management. They can also partner with ESG specialists to enter into negotiations with the company to determine whether it can respond positively to the needs expressed or to discuss the key criteria to disclose on.

The issue of lack of coverage or relevant ESG information is typical to the thematic strategies like NEWGEMS or Food Trends. In this case, we have adopted a formal commitment procedure to ensure that the appropriate ESG information is analyzed and provided, which could require specific engagements as well.

For non-covered issuers or issuers with a weak ESG profile that results from a lack of disclosure of information and publications, we systematically initiate a dialogue with them.

1. The research team or the portfolio managers contact the company to request information on the KPIs that have been identified for the subtheme in which the company is classified.

2. We expect a reply from the company within 30 days.

- If there comes no reaction within one month, we will contact the company again with the mention that we will be obliged to disinvest if we don't receive a reply within the following 30 days.
- If the issuers reacts before the deadline:

(a) the commitment will continue provided that the indicated time period to provide the final answers doesn't exceed two months

(b) the commitment is paused until a further analysis shows a need for continuation

3. The responses are analyzed against our key questions and indicators and the issuer's score card is established accordingly.

Non-covered companies

a) The answers provided are insufficient to fill in the scorecard (at least 60% of the KPIs should be covered). In this case, the dialogue will be continued until a satisfactory level (at least 60%) of answers is reached within a reasonable time (maximum 2 months).

b) The answers provided are sufficient to fill in the score card and the issuer is assessed with respect to its peers on the key issues of its subtheme.

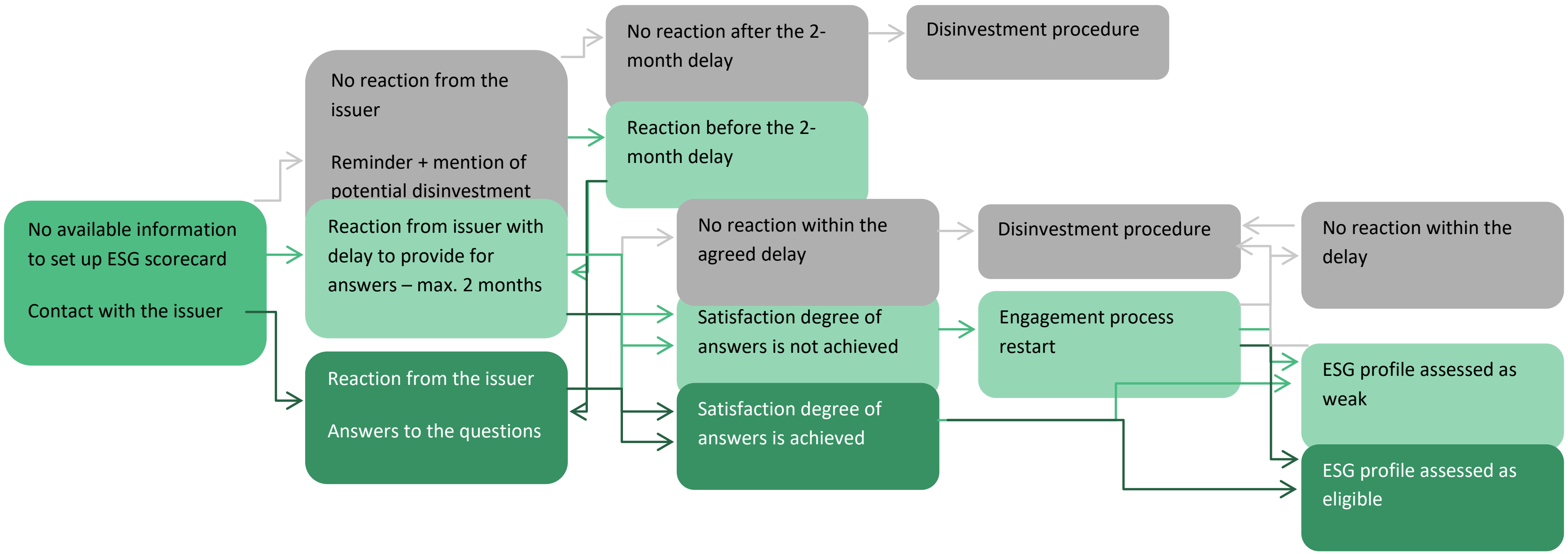
Companies with a low ESG profile

a) The degree of information is sufficient to confirm the weak commitment of the issuer on the key issues identified for the investment theme. In this case, the issuer is not eligible for the investment up to the upward revision of its ESG profile. The Responsible Investment Competence Center judges the sufficient level of information available from the issuer.

b) The degree of information is considered insufficient to confirm the weak commitment of the issuer on the key issues identified for the investment theme. The commitment procedure as described above is put in place.
c) The degree of information is judged by the team of the Responsible Investment Competence Center.

ESG profiles that are still deemed too low after the full commitment process must be divested by the management team according to the divestment rule below. In other words, for issuers for which the available information was not sufficient and for which the commitment procedure concludes on an ESG profile that is still considered to be weak can't benefit from a second round of engagement process. They are considered ineligible for investment.
The issuers with low profiles and the initiated dialogue are reviewed on an annual basis.

Divestment
If there comes no response from the company, if the responses are unsatisfactory to establish a minimum ESG profile on the key issues of sustainability, or if the ESG profile is deemed too weak (i.e. the lowest score in its category), the divestment rule as described in the prospectus is adopted: maximum three months and in the best interest of the holders of the SICAV.



No available information to set up ESG scorecard
Contact with the issuer
No reaction from the issuer
Reminder + mention of potential disinvestment
Reaction from issuer with delay to provide for answers – max. 2 months
Reaction from the issuer
Answers to the questions
No reaction after the 2-month delay
Reaction before the 2-month delay
Disinvestment procedure
No reaction within the agreed delay
Satisfaction degree of answers is not achieved
Satisfaction degree of answers is achieved
Disinvestment procedure
Engagement process restart
No reaction within the delay
ESG profile assessed as weak
ESG profile assessed as eligible

D. Advocacy actions

As part of our commitment to continuously advocate for best practices and evolutions, DPAM is part of several professional organizations, working groups and national sustainable investment forums that aim to foster the development of sustainable investment solutions. DPAM is always open to share its knowledge or to engage in dialogue with any organizations eager to make sustainable finances progressing.
To further expand our knowledge of specific ESG areas, we further collaborate with a large set of external experts who advise us on our integration practices either through being engaged in our investment committees or through educating our colleagues on topical ESG issues.

6. Engagement reporting

This Engagement Policy is publicly available on our website.
All documentation and progress of engagement conducted by the research and investment teams and the responsible investment specialists are tracked in databases available to all investment professionals.

Committed to transparency, DPAM also publishes an annual engagement report on its website (report on the number of engaged companies, number of issues raised and objectives and progress made in achieving milestones defined for each engagement topics. As engagement is sometimes more effective if it is kept confidential, the report is as detailed and exhaustive as possible for the sake of efficiency of the dialogue.

Disclaimer

This document is for information purposes only and does not constitute a contractual commitment or an investment recommendation. Neither DPAM nor any of the entities of the Degroof Petercam group accepts any liability whatsoever for any decision taken based on this information.

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