

March 2024

Engagement Policy

 Degroof
Petercam
Trust. Knowledge.

asset management
private banking
investment banking
asset services

 DPAM

Contents

Executive Summary	2
Introduction	3
I. Why do we engage with companies and countries?	4
1. Who is Responsible for managing the engagement?	6
II. What do we engage on?	7
1. Engagement to Reduce the Negative Impact of our Investment – Controversies	7
1.1 Priorities	8
1.2 Means	8
2. Engagement to defend our Values and Convictions	9
2.1 Promoting ESG best practices through voting	9
2.2 Environment and Climate risk	11
2.3 Social and human rights infringement	15
2.4 Corporate Governance and Corporate Taxation	20
III. How Do We Engage - Engagement Types	23
IV. Engagement transparency – reporting and consistency	29

Executive Summary

Why do we engage with companies?

Looking beyond pure financial profit

Reducing negative impact of our investment

Expressing our opinion, defending our key values and convictions and positively Impacting Companies

Expressing our opinion, defending our key values and convictions and positively Impacting Countries

What do we engage on?

Controversies

- Controversy level 3- and 4

Promoting ESG best practice through Voting at Companies

- Remuneration
- Separation of CEO/Chairman roles
- Independence of the board of directors
- One-share One-vote One-dividend
- Anti-takeover
- Climate change

Environment and Climate risk

- Net Zero – alignment with Paris Agreement
- Focus on Scope 3 emission reduction

Social and human rights infringement

- Digital rights
- Due diligence on social risks in supply chain
- Conflict-Affected and High-risk areas
- Unionization and Union busting

Corporate Governance and Corporate Taxation

- ESG Board oversight
- Integration of ESG risks into the enterprise's risk management
- Board composition
- Tax Equity and Avoidance

Country model

- Democracy
- Sustainability
- Environmental, Social and Governance indicators
- Sustainability ranking

How do we engage? (engagement types)

Engaged dialogue

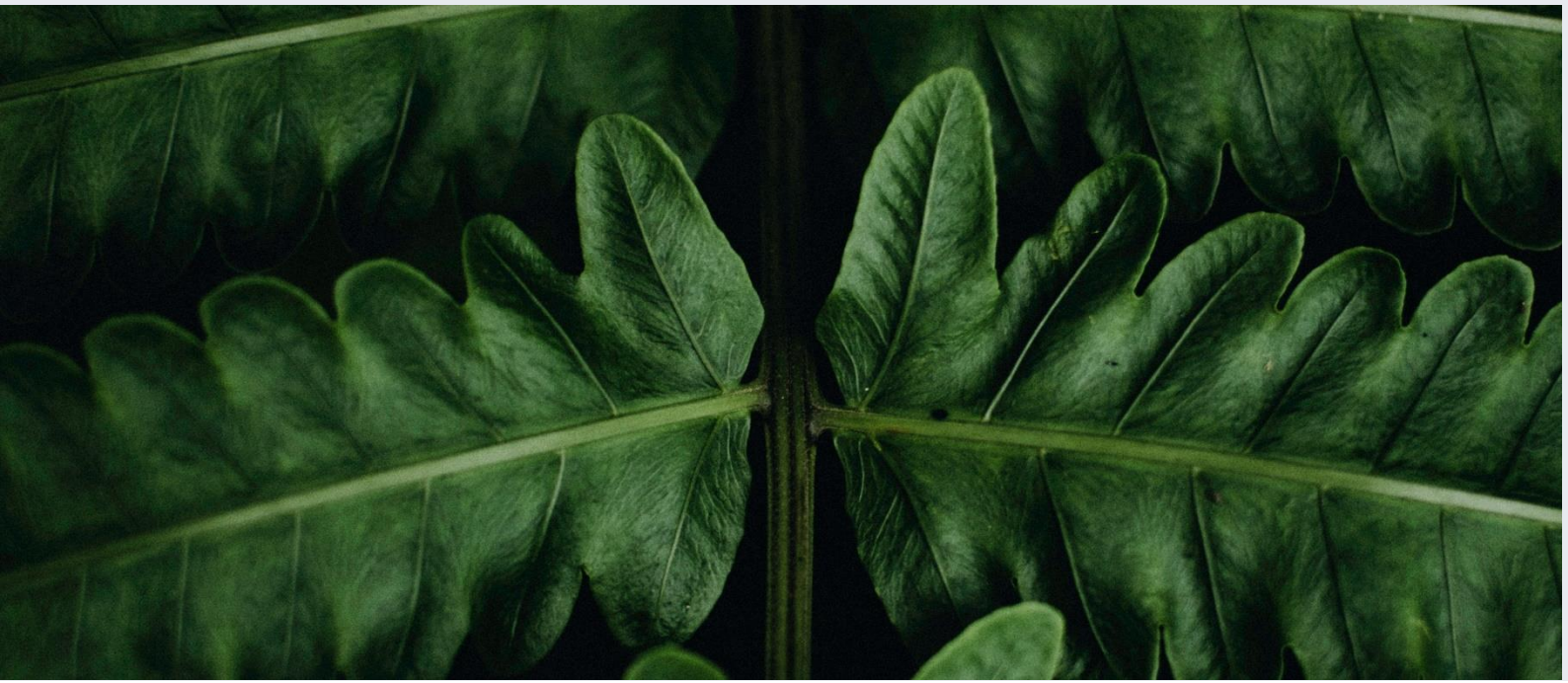
- Corporates – To clarify / gather missing ESG information
- ESG providers – To clarify / correct ESG information
- Countries – on our country model

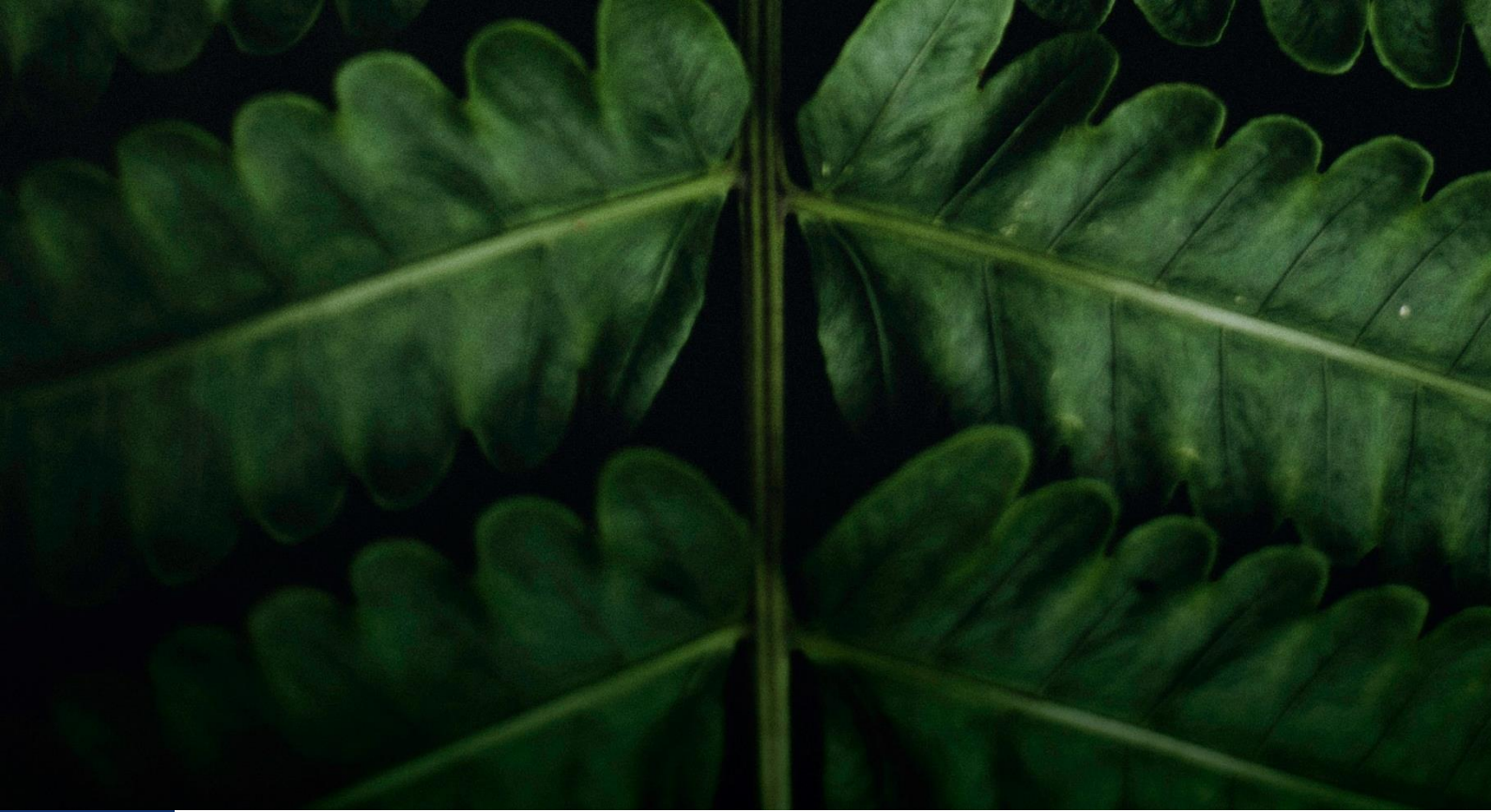
Formal individual engagement

- Corporates – To discuss serious concerns including Controversies
- Corporates – Following Proxy Voting

Collaborative engagement

- Corporates – To discuss serious concerns including Controversies





Introduction

This document represents the Engagement Policy of Degroof Petercam Asset Management (DPAM), a subsidiary of the Degroof Petercam group, validated by the Management Board in March 2023. It revises the initial 2016 version and is uniformly applied to all DPAM-managed investment funds across diverse asset classes, including indexing strategies.

Engaging with an issuer – be it a company or a country’s representative - either through proxy voting or direct engagement in individual or collaborative initiatives allows us to defend our values and convictions, spread best practice and innovative solutions to ESG challenges and helps to mitigate the negative impact of our investments. As a pioneering sustainable investor, our objective is to integrate financial and sustainable performance, to make a positive contribution to fostering sustainable and inclusive growth so that our clients, stakeholders and society as a whole can thrive.

To uphold best practice, DPAM relies on reputable sources including the International Corporate Governance Network, the UN Global Compact's 10 Principles, the OECD guidelines for multinational enterprises, the United Nations' Sustainable Development Goals, the OECD Due Diligence Guidance for Responsible Business Conduct, the Principles of Responsible Finance and recommendations from the Task Force on Climate-related Financial Disclosure (TCFD).

This document outlines DPAM’s vision of effective and sustainable investing. It aims to optimise our positive impact for the benefit of the society as a whole. This Engagement Policy aims: (a) to reduce the negative impact of our investment; and (b) to defend our values and convictions on the environment and social and governance issues. It highlights why we engage and our choices on which topics to prioritise. It explains the engagement process and its expectations in terms of progress from investee companies. It also includes details on means, channels and potential escalation. It makes clear how transparency is at the heart of our engagements.

I. Why do we engage with companies and countries?



DPAM's Mission

At DPAM, we aim to continuously improve our excellent track record of outstanding financial results through our in-house expertise, active investment approach, and systematic ESG integration.

However, our investments and activities go beyond financial performance. Our principles push us to combine financial objectives with our role as a pioneering sustainable actor. They help us to provide an optimal service to our clients and to create a long-lasting, meaningful societal impact.

Through our people, our ambition, our culture and our investment principles, we will continue to champion our commitment to **active management, sustainable values and in-depth research.**

Being a sustainable and responsible investor goes beyond offering responsible products; it is a global commitment at company level, ingrained in everything we do, which can be defined in a coherent approach.

Looking beyond pure financial profit

First and foremost, being a sustainable and responsible investor involves **raising key questions** about the consequences of DPAM's investment activity in a global context. This means **looking beyond pure financial profit** and taking into account all stakeholders, while considering the consequences of each investment. Raising questions, relying on experts, sharing information, and engaging with a positively critical mindset has imbued DPAM professionals with a sense of responsibility and has pushed them to consider the consequences of their decisions to the best of their abilities.

Reducing negative impact of our investment

Every investment carries an impact, whether positive or negative. Thus, it is crucial to **assess the potential harm associated with our investments** and actively engage with investees. By mitigating the negative impact, we contribute to an overall increase in the net positive impact on society.

Expressing our opinion, defending our key values and convictions and positively Impacting Companies

As a shareholder and economic player, DPAM acknowledges its social responsibility. Owning shares in a company provides a way to express opinions on its management. As a responsible investor, DPAM is obligated to **voice its perspectives**. Adopting a voting policy and actively participating in general and extraordinary shareholders' meetings are **integral facets of an investor's duties**. DPAM can advocate for investee companies to adhere to best practice in corporate responsibility. Engaging in dialogue with a company, whether through proxy voting or direct dialogue during meetings with company representative, **ensures the preservation of shareholders' rights** and those of other stakeholders. However, engagement transcends shareholder responsibility and dialogue with companies.

Assessing our opinion, defending our key values and convictions and positively Impacting Countries

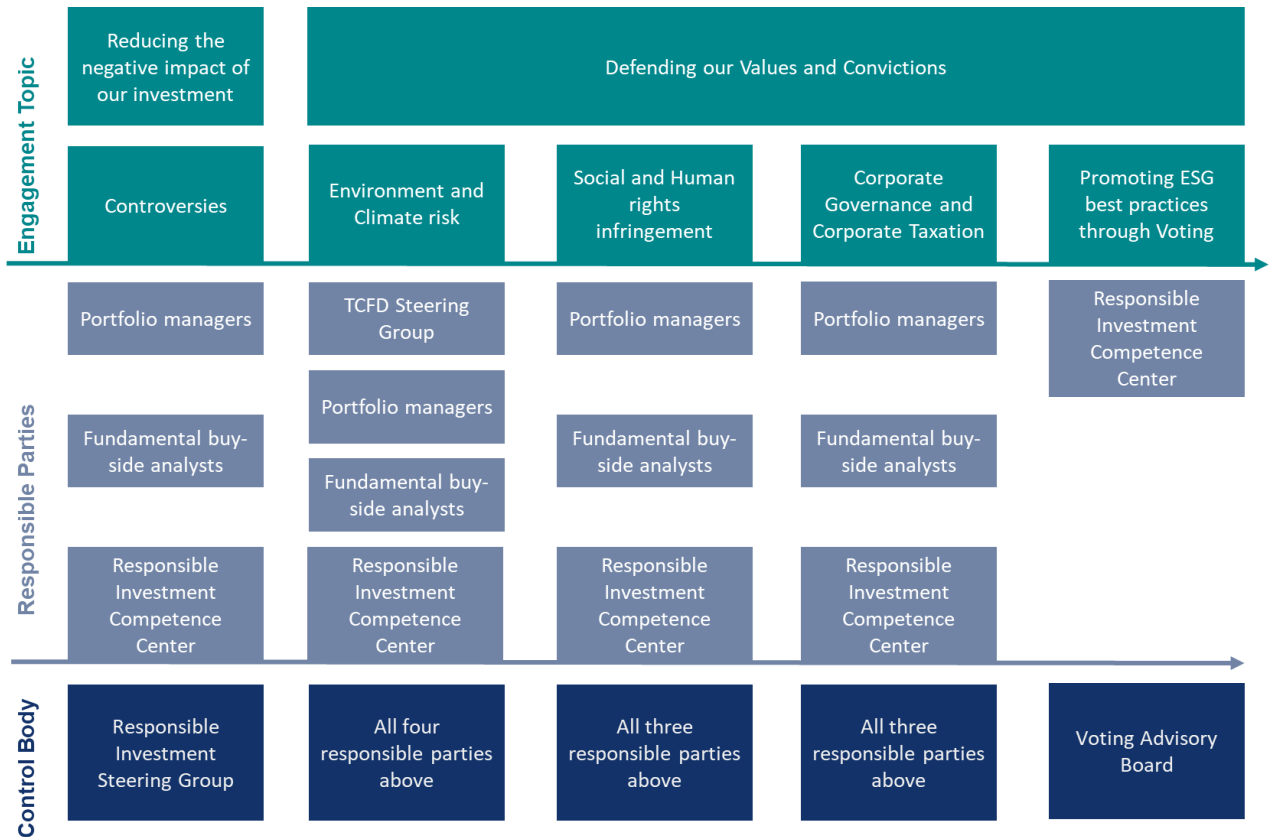
Engagement with sovereigns is often construed as political interference, encompassing activities such as lobbying and advocacy. However, an active engagement policy directed at government institutions in general, and debt management offices in particular, can serve to **motivate governments to endorse green finance**.

By focusing on broader stakeholder rights, DPAM urges the companies and countries in which it invests, to **internalise the negative impacts of their activities** and seek **sustainable development opportunities**. This proactive stance helps countries prepare for an evolving operational landscape. Sustainability emerges as a valuable tool in fostering a global sustainable financial and economic system.

1. Who is Responsible for managing the engagement?

Engaging with companies and countries is the shared responsibility of the investment professionals at DPAM for example, portfolio managers, fundamental analysts and responsible investment specialists.

Three governance bodies are involved in monitoring ongoing engagements and determining suitable strategies and topics: the Responsible Investment Steering Group, the Voting Advisory Board and the TCFD steering group.



II. What do we engage on?

DPAM, through its investments and operations, choices and strategies, creates an impact. Our aim is to make the impact as positive as possible, in the context of our activities. In our SRI policy and controversial policy, we have defined key topics we want to engage on.



Through its own regulation, DPAM aims to increase its net positive impact as much as possible to see our clients, stakeholders and society as a whole thrive.

The [Sustainable & Responsible Investment Policy](#) describes DPAM's approach to sustainable and responsible investment, highlighting its commitment to investing in a sustainable and responsible way. As a pioneering sustainable, active asset manager, DPAM recognises the multiple challenges facing the planet, including climate change, resource scarcity, social inequalities, and modern slavery. DPAM firmly believes in its potential to positively contribute to a thriving society by investing in companies and states that take ESG challenges into account. It is DPAM's view that every investment decision carries an impact, and each ESG effort contributes to the long-term well-being of society. The policy also outlines the application of the Do No Significant Harm principle, illustrating DPAM's commitment to defending fundamental rights and to reducing negative impacts by avoiding activities or behaviours that could harm sustainable and inclusive growth, as promoted by the European Commission's 2030-2050 Program. Additionally, DPAM actively seeks to generate a positive impact, aligning sustainable investments with solutions for the economy and the Sustainable Development Goals (SDGs).

DPAM's [Policy on Controversial Activities](#) reinforces its commitment to avoid controversial activities and behaviour, explicitly excluding sectors like tobacco, thermal coal, and nuclear weapons. The controversial activity policy also discusses DPAM's stance on other activities, such as unconventional and conventional oil and gas, GMOs, palm oil and democratic requirements, for example. Please refer to this [publicly available policy](#) for further details.

DPAM has reached out to several companies through collaborative and individual engagements, through new, dedicated, thematic strategies and through the sharing of its expertise, for example. These initiatives aim to increase the net positive impact of our company, encapsulating our commitment to delivering financial performance that benefits everyone involved, from clients to society as whole.

1. Engagement to Reduce the Negative Impact of our Investment – Controversies

DPAM adheres to the "do not harm" principle from European sustainable investment regulations, implementing checks and engaging with companies to address controversies. The Responsible Investment Steering Group (RISG) oversees DPAM's commitment, reviewing and deciding on engagement or divestment to promote sustainable practices and guide issuers toward inclusive growth through sector-specific reviews.

1.1 Priorities

We evaluate companies based on the allegations they may face regarding ESG controversies, as these controversies serve as crucial indicators of the effectiveness of ESG-related policies and programs. Companies encountering controversies or scandals are exposed to financial and reputational risks, necessitating a reactive engagement to comprehend the situation and to gain clarity on the remedial measures required.

DPAM's "**Active, Sustainable, Research**" process, conducted by the RICC team in collaboration with the research and portfolio management teams, involves analysing Sustainalytics' methodology's '**controversy level 4**' and '**controversy level 3 with negative outlook**', as these levels pose significant risks.

Internal research is conducted on companies falling into category 4 and 'category 3 with a negative outlook'. During this research, the portfolio manager or the **relevant sector analyst collaborates with the Responsible Investment (RI) Specialist** to scrutinise the issues in detail and to discuss them with external experts. It is important to note that any investment in companies facing a level 5 controversy is prohibited in our sustainable strategies.

For this, DPAM **leverages various sources**, including MSCI ESG Research, Sustainalytics and brokers, among others.

Every month, a specific sector undergoes a review following this process.

1.2 Means

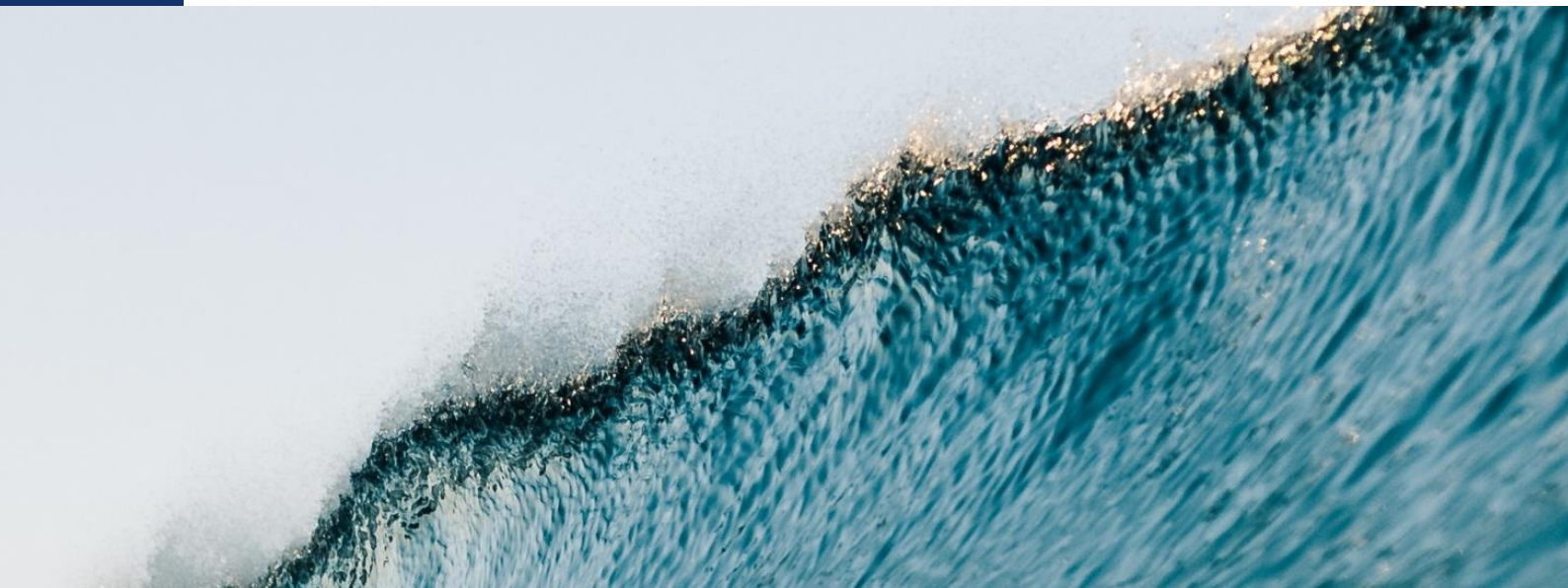
Any in-depth analysis of important controversies requires engaged dialogue with company executives, to promote learning and the exchange of knowledge. Furthermore, this analysis is relevant for any investment decisions, for both sustainable as well as traditional portfolios.

When an in-depth analysis of ESG controversies has been completed, a report is presented to the Responsible Investment Steering Group (RISG).

- **In case of ineligibility**, all investment professionals at DPAM are informed on the issuer and details of its ineligible status within sustainable funds. The company might be notified of its ineligibility.
- **In case of eligibility** for engagement, engagement letters are written in collaboration with portfolio managers, buy-side analysts and Responsible Investment specialists. The goal of sending the engagement letters is to better understand the sustainability profile of the company.

Typically, DPAM conducts individual engagements as the primary approach. However, if collaborative initiatives related to the issuer and the controversy are already underway, DPAM assesses the potential to participate in these joint efforts to enhance effectiveness. The engagement process commences with an initial contact, during which DPAM raises questions, expresses concerns, and outlines a preliminary list of expectations and objectives for progress.

The issuer is then invited to acknowledge these concerns and respond with answers and guidance regarding the expectations and objectives.



2. Engagement to defend our Values and Convictions

2.1 Promoting ESG best practices through voting

Committed to transparency and the advocacy of best practice, DPAM seeks to ensure its voting intentions are clearly understood. To achieve this, DPAM's voting policy offers an overview of the guidelines that are applied to the bulk of the cases. Additionally, the annual voting activity report provides an overview of major voting trends.

The Voting Advisory Board, the official body overseeing DPAM's strategic framework for responsible ownership, has implemented an engagement process with voted companies to both inform them about our voting instructions and influence them by raising awareness of DPAM's voting policy principles, namely:

- **Safeguarding shareholders' interests** to foster long-term value and uphold equal treatment of shareholders, with a focus on protecting minority shareholders under the principle of "one share, one vote, one dividend";
- **Advocating for sound corporate governance**, emphasising efficient and independent management and monitoring systems;
- **Promoting transparency and integrity in information**, with an emphasis on reliability, clarity, comprehensiveness, and timely communication;
- **Encouraging social and environmental responsibility** in companies, ensuring that human capital is prioritised, and that the global environment is respected in their operations.

a) Priorities

The independence of the board of directors is not guaranteed if its composition lacks balance. DPAM encourages companies to increase the level of independence of its committees and board of directors;

CEO / Chairman separation: DPAM will systematically vote against combining the roles of CEO and Chairman of the Board;

Anti-takeover defenses (poison pills): DPAM rejects any initiative that may harm the rights of minority shareholders;

Multiple voting rights: DPAM is a staunch advocate of the principle "one share, one vote, one dividend", and is therefore opposed to any initiative curtailing this principle;

Remuneration – Say on Pay: DPAM believes that remuneration policy should contribute to the company's business strategy, long-term interests and sustainability. It should also explain how it does so. Long-term interests refers to alignment to long-term value creation and sustainability (ESG) as defined by the UN, OECD, the EU or local regulations. DPAM considers it necessary for the companies to be transparent about their remuneration policy.

Say on Climate: DPAM relies on best practice which has been previously identified by the Institutional Investors Group on Climate Change for example, net zero commitment or ambition; medium term targets aligned with 1.5° or a verified Science-Based Target initiative; decarbonisation plan and external TCFD report. An overview of all criteria to assess climate transition plans and progress reports can be found in our Voting Policy.

b) Means

DPAM conducts its engagement autonomously by means of a **letter sent to company executives and Investor Relations managers**. This increases its impact on investees' corporate governance, beyond proxy voting instructions.

c) Objectives and Expectations

These letters have **three major objectives**. First, they aim to inform companies about DPAM's approach and raise awareness of its principles. Second, they aim to show that applying sound governance practice can reduce the risk of a company becoming dysfunctional and may improve its performance. They also highlight social, environmental and governance challenges as well as the added value of sustainable development.

Board independence:

- The functions of Chairman and CEO are distinguished;
- The appointment (or renewal) maintains a balance between executive and non-executive/independent directors on the Board of Directors;
- The candidate is presented by an independent appointment committee;
- Sufficiently detailed information is available on the candidate's profile to assess the independence of the candidate;
- The length of the mandate does not, ideally, exceed six years.
- The candidate does not hold in total more than five director mandates in listed companies (or three in the case of an executive mandate)

Commitment to greater transparency and integrity of information:

DPAM advocates for companies to enhance disclosure, especially regarding the nomination process for company directors and Board of Directors members. Transparent information on the Board of Directors' composition enables DPAM to evaluate the extent to which the balance of power is maintained. It is incumbent upon the company to provide timely and reliable information before General Meetings, to ensure clarity and completeness.

DPAM considers that multiple voting share classes are not in the best interest of shareholders. DPAM encourages companies to protect shareholders by focusing on long-term interests and value creation, ensuring equal treatment between all shareholders and protecting the rights of minority shareholders. The recommendations to protect minority shareholders through the principle of "**one share, one vote, one dividend**" include that:

- Any capital increase is proposed in compliance with the principle of "one share – one vote – one dividend";
- In case of a capital increase with preferential subscription rights, the amount of the intended increase should not exceed 50% of the existing capital unless a valid justification has been provided;
- In case of a capital increase with the scrapping of preferential subscription rights, the amount of the intended increase should not exceed 10% of the existing capital;
- In case of authorised share capital, the conditions respect the principle of "one share – one vote – one dividend" and the authorisation is for a period of maximum five years.
- Clear justification and circumstances of use of permission must be provided by the Board of Directors;
- A capital increase cannot be used by the Board of Directors for anti-takeover purposes;

- In case of share buy backs, the authorisation must be time-limited (maximum five years) and should not allow a buy back exceeding 20% of the company's own shares. The conditions of the buy-back program should not allow the company to buy back its own share for anti-takeover purposes.

DPAM believes that **remuneration policy should contribute to a company's business strategy, long-term interests and sustainability** and should include adequate disclosure of information on the remuneration of key executives and board members. The main goal of such disclosures is to ensure that shareholders can assess the fairness, the costs and the benefits of the company's remuneration plans and the contribution of incentive schemes to the company's performance. The remuneration policy should include:

- Specific performance targets and metrics and pay-out structures, including at least two performance metrics to provide a complete picture of the company's performance;
- Conditions for payments to board members for extra-board activities;
- The terms to be observed about holding and trading the stock of the company and the procedures to be followed in the granting and re-pricing of options;
- Recovery provisions, such as malus and claw-back provisions and the right to withhold and recover compensation from executives in case of managerial fraud;
- Disclosing executive share ownership guidelines, within a set time frame.

Option re-pricing is not considered a best practice as it is not aligned with shareholder interests. Any proposal of re-pricing is analysed. Furthermore, remuneration reports including change of control provisions are also viewed with scepticism as these kinds of provisions may discourage potential buyers from bidding on the company.

2.2 Environment and Climate risk

Almost all countries have committed to achieving carbon neutrality in the coming decades, which has significant economic and financial implications. From an **operational viewpoint**, this commitment entails a **complete phase-out of fossil fuels by 2050**, next to a **tripling of renewable energy** and a **doubling of energy efficiency**. From an **investment viewpoint**, it requires **considerable financing**, as global clean energy spending will need to rise **from USD 1.8 trillion in 2023 to USD 4.5 trillion annually by 2030**.

With climate-related risks and opportunities increasing, **climate change has become a focal point in current debates**, commitments, and regulatory actions, resulting in implications for investees and hence investors.

Effective corporate management entails evaluating and managing key or material environmental and social risks. Proper, transparent, and integrated reporting of these ESG risks by corporates helps investors gauge their potential investment impacts, since as an investor, it is our fiduciary duty to consider these risks within the investment decision making process. Hence, it is our firm belief that companies should identify and communicate these risks to shareholders in their annual, integrated disclosures and ensure consistency between the identified risk and the financial disclosure as this allows proper integration.

This view is shared by regulators globally visible in strengthened national climate targets and carbon pricing mechanisms worldwide. Of particular importance is the increase of **mandatory Corporate Climate Transition Plan disclosure requirements** across various regions and countries including the EU (CSRD), US (California ahead with CA SB 253 and CA SB 261), China, and the UK (Transition Plan Taskforce). These disclosure requirements are impacting the financials of corporates directly, but also indirectly through demand and supply dynamics.

DPAM has committed to **support the climate transition** and, since November 2018, has endorsed the **TCFD recommendations**. DPAM issued its first TCFD report in 2020 (covering 2019) and has published an annual update since then, disclosing the way climate-related risks and opportunities are governed, integrated in strategy and risk management and monitored through metrics and targets.

An essential part of its integration approach is engagement. DPAM is an **active participant in collaborative initiatives** such as **Climate Action 100+**, **CDP** and **IIGCC** and through these it has started to lead and join engagement cases on climate disclosure and performance, join collaborative working sessions and engage with stakeholders on climate-related topics.

To further elevate its commitment and align its engagement priorities with global initiatives, DPAM has joined the Net Zero Asset Managers initiative (NZAM) and enhanced its transparency through the reporting of environmental metrics. Its fifth TCFD report, detailing the progress made towards the implementation of the TCFD recommendations, is available on our website.

a) Priorities

Climate and environmental factors and associated risks can impact companies in various ways, either directly through operations or indirectly through supply chains or end markets. Hence, credible reduction targets and an aligned business strategy to reach those targets are key.

DPAM, with the support of all its investment professionals, has defined **Science-based Emissions Target setting** and **Corporate Climate Transition Plan disclosures** as the focus topics to represent its environmental/climate convictions and to ensure alignment of its engagement priorities with its broader commitments.

Science-based emissions-reduction targets

DPAM's TCFD Steering Committee decided to join the **NZAM initiative**. Hence, **science-based target setting** by investees will be the **key performance indicator DPAM prioritises** when engaging with investees on environmental matters.

Investor initiatives targeting 'net zero' portfolios can apply a variety of methodologies. Regardless of the chosen methodology, the performance of individual investees impacts the portfolio's climate performance. Hence, active ownership or corporate engagement to **push investees towards credible, science-based emission-reduction paths** is considered key when committing to net zero. As stipulated in the Net Zero Asset Managers 10-point commitment plan, investors commit to:

“Implementing a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition to have all assets under management achieve net zero emissions by 2050 or sooner.”

To increase credibility, emissions targets must be externally validated. Although preference is given to the Science-based Targets initiative (SBTi), given its international recognition, any target validation process indicating alignment with the Paris Agreement (i.e. 1.5°C scenario) and sectoral decarbonization pathways (if available), is deemed relevant and appropriate. This also entails credible scope 3 targets when deemed material for the company:

The **focus on scope 3 emissions reinforces** the disclosure of the portfolios' carbon footprint and allows for **better control and monitoring** of the **climate risk exposure** of DPAM's portfolios.

Note that DPAM has committed to systematically calculating the net zero alignment of the SFDR article 8 and 9 investment funds. Sovereign bond investments are excluded due to the absence of a target

methodology. Mandates are not yet part of the scope as these are subject to client agreements and dependent on clients and managers' regulatory environments. Based on this, DPAM's TCFD Steering Committee will develop possible actions for the portfolios or investees which fail this exercise. Actions could include but are not limited to: engagement with companies which are falling behind in the transition, with a particular focus on both science-based target setting and scope 3 emissions as described above.

Corporate Climate Transition Plans

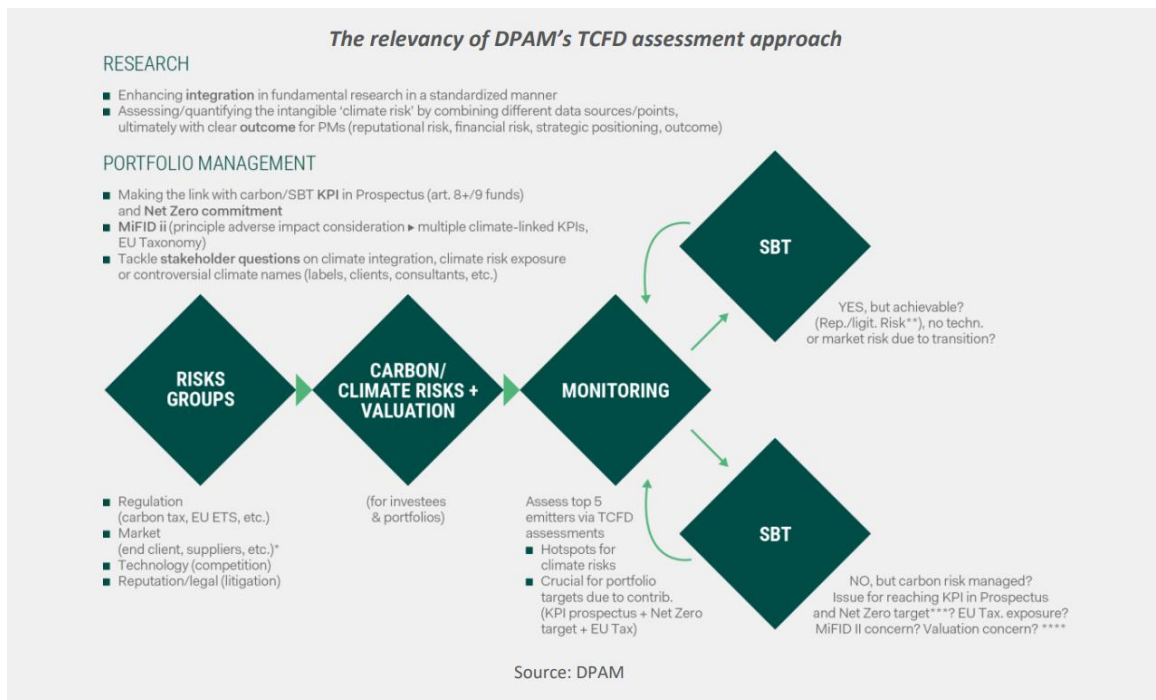
For the last few years, companies have been stepping up their climate ambitions, notably by **moving from self-declared climate targets to validated science-based emission reduction targets**. However, according to CDP assessments covering 2022 disclosures, of all companies with a validated science-based target, only one fifth is on track to meet its target, and many have not provided a clear roadmap to reach the target. Setting time-bound, science-based targets is a step in the right direction, **but real-economy, absolute emissions reductions must be the focus**. Climate change impacts how companies operate due to the shifting environmental landscape and evolving expectations and regulations surrounding climate related issues. Therefore climate change presents financial, reputational and regulatory risks especially for companies that are not aligned with these evolving expectations and regulations. Disclosure criteria to **assess the credibility and feasibility** of companies' reduction pathways are key to assess broader investments risks.

b) Means

Our engagement actions on science-based target setting, including climate-related supply chain risks (i.e. scope 3) and corporate climate transition planning are guided by the RICC in close collaboration with the relevant portfolio managers and/or buy-side sector analysts. To facilitate the process and define appropriate engagement expectations, DPAM relies on internal and external sources, including but not limited to:

- Internal DPAM **TCFD assessments and dashboards** (issuer & entity level) to track the performance of investee companies and define priority companies;

Snapshot investee level framework, combining SBT with transition plan disclosures:



Snapshot entity level monitoring to define engagement list:

Priority companies

Monitoring list

- Financed emissions ranking: top financed emissions.
- TCFD top 5 issuer assessment scope.
- TCFD dashboard: NAV and ownership.
- Collaborative engagements.

Engagement list

- No SBTi
- Carbon performance OFF Track
- Collaborative engagements

- **CDP questionnaires** (climate, water, forests) and **campaigns** (for example, the annual 'Non-Disclosure Campaign' and 'Science-Based targets Campaign');
- **Climate Action 100+** and **IIGCC supporting material, working groups** and **engagement actions** (for example, the Net Zero Corporate Benchmark engagement and Investor Expectations of Corporate Transition Plans);
- **Thematic research providers and NGOs** (for example, FAIRR, Transition Pathway Initiative, FollowThis);
- **Extra-financial data providers** (Trucost, Sustainalytics, MSCI);
- **Broker research.**

More information on the monitoring and assessment framework applied at issuer, portfolio and entity level can be found in DPAM's TCFD report, available on our website.

DPAM will engage through written correspondence, conference calls or in-person meetings, following the process detailed in the 'Engagement for a Better Understanding of the Sustainable Profile of Companies' section.

c) Objectives and Expectations

The objectives of the engagement are mainly:

- To **increase awareness** and **formulate concrete expectations regarding SBT** setting by investees, and to ultimately grow the number of investees with validated SBTs or the equivalent. In addition, our engagements aim to facilitate research to gain insight into companies' approaches and plans to reach these targets;
- To **increase awareness** and **formulate expectations regarding the importance of scope 3 disclosure, monitoring and reduction** actions (in support of and in addition to our engagement actions via Climate Action 100+ and the CDP's Non-Disclosure Campaign). This includes, but is not limited to:
 - Scope 3 emission reduction targets, where material;
 - Disclosure of scope 3 emissions;
 - Monitoring and measuring of supply chain emissions;
 - Including environmental (emissions) criteria in supplier selection and supplier engagement;
 - Substituting and/or reducing carbon-intensive supplies and replacing these with other, low-carbon solutions; public commitments to tackle deforestation.
- To **increase awareness** and **formulate expectations regarding the importance of credible Corporate Climate Transition Plan disclosures**. Aligned with international regulation and investor expectations, this includes, but is not limited to:

- Ambition, including short-, medium- and long-term target setting with external validation, and broader supply chain commitments;
- Action, including a detailed decarbonisation plan with associated capital allocation and accounting practices, next to performance disclosures;
- Accountability, including governance oversight & responsibilities, remuneration alignment, policy engagement calibration and integrated reporting.

2.3 Social and human rights infringement

DPAM's sustainable credit and equity strategies are assessed via compliance with global standards and non-compliant companies are excluded from investment.

DPAM applies the UN Guiding Principles on Business and Human Rights (UNGPs) to its investments. The **UNGPs** is a **set of 31 principles** represented in a framework. They are widely supported and adopted by states, regional institutions, and multilateral organisations, and are a focal point for policy convergence. Legislative proposals, both on national and international levels use the UNGPs to establish rules around disclosure.

The **Guiding Principles** are grounded on:

1. **The State's Duty to Protect Human Rights:** States are required to protect against human rights abuses by third parties, including businesses, through appropriate policies, regulation, and adjudication;
2. **The Corporate Responsibility to Respect Human Rights:** Businesses should respect human rights, which means avoiding infringing on the rights of others and addressing adverse human rights impacts with which they are involved. This principle emphasises the need for due diligence processes;
3. **Access to Remedy:** Both states and businesses must provide effective access to remedies when human rights abuses occur.

Next to the UNGPs, the **OECD Guidelines** for multinational enterprises on responsible business conduct, is the second framework used as a source for DPAM's approach to human rights.

On the sovereign side, for DPAM's sustainable sovereign bonds investments, non-democratic countries are ineligible for investment. Transparency and democratic values are at the heart of DPAM's proprietary sustainable country model.

a) Priorities

Social factors and human rights are broad topics and cover various activities and ways of operating.

DPAM, with the support of all its investment professionals, has defined **Digital rights, due diligence on social risks in Supply Chains, Conflict-affected and High-risk areas**, and **Unionisation and Union busting** as the focus topics to represent its social convictions.

Digital rights

DPAM is convinced that data is an economic driver and resource for innovation. Personal data is becoming increasingly valuable for companies. It allows companies to get more feedback and broaden their scope to improve products and services. It is a key element of the Fourth industrial revolution and requires full integration in companies' strategies. To ensure the responsible use of data, regulation is

increasing over the world, not only with the GDPR Directive but also the EU's Digital Services Act (DSA) and the Digital Markets Act (DMA), which have been a pioneering gamechanger in this regard. Businesses must take this issue seriously due to its impact on corporate reputation, finance and innovation potential as well as for regulatory reasons.

Assessing company practice on digital rights is still difficult due to a lack of standardisation. The emergence of new applications and the development of new technologies, such as facial recognition technology, makes respecting these rights even more complex. Digital rights mean **all human rights in a digital environment**. This definition is quite broad, which is why these rights tend to focus on distinct issues. These include - among others - the rights to privacy, freedom of expression and internet access.

Due diligence on social risks in supply chains

The covid pandemic and emerging geopolitical pressures, have revealed the importance of resilience and sustainability. Supply chain resilience analysis focuses on a company's ability to face external shocks, while a sustainability analysis looks at the social impact of the product and service lifecycle and how best to align this impact with global sustainability challenges.

Supply chain sustainability management tends to be seen – erroneously – as the costs and risks relating to a company's operation. However, choices made at the level of the supply chain can impact the risks but also the opportunities for a company and unlock opportunities for innovation and greater labour productivity. Regulation on supply chain responsibility has increased over the last decade and includes: the recent German Supply Chain Due Diligence Act, the French Corporate Duty of Vigilance Law (2017), the UK Modern Slavery Act (2015) and the California Transparency in Supply Chain Act (2010) to name a few. At the end of 2023, the European institutions agreed on the details of the Corporate Sustainability Due Diligence Directive (CSDDD), which reiterated the responsibilities of corporates over their supply chains.

However, subcontracting has resulted in complex supply chains and diluted ESG risks. Yet, this is not an excuse for inaction - which is why DPAM makes this topic an engagement priority. Ensuring that companies have full knowledge of the impact on human rights and social risks when making supply chain decisions is our focus for managing social risks in supply chains.

Conflict-Affected and High-Risk Areas

As the number, duration, and severity of global conflicts and related human rights violations increases, our concerns are growing about the effects of these conflicts on vulnerable people and communities. Companies working in these areas, might face legal, operational, and reputational challenges. Indeed, conflict-affected and high-risk areas tend to be marked by systemic and widespread human rights abuses. These abuses might affect people residing, working, conducting business, and investing in these areas, and should receive greater scrutiny from companies active in these areas. We therefore expect companies in these areas to respect applicable obligations under international human rights and humanitarian law and fully align their policies and processes with normative international frameworks, such as the UNGP's or OECD Guidelines.

Unionisation and Union busting

Companies that ensure their employees' voices are heard through proper representation, often see improved job satisfaction and productivity, leading to superior financial results. Moreover, incorporating worker representation into sustainability assessments allows companies to better manage social risks, such as labour disputes, which can significantly impact their reputation and investor appeal. This approach is increasingly important due to the global resurgence in the popularity of unions and collective bargaining. The International Labour Organisation, for example, has noted a renewed interest in unionisation, with countries like the United States witnessing a significant rise in union election petitions, which have increased by over 50% in 2021 compared to the previous year. Approval ratings for worker unions, in the US, are at their highest point over the last 50 years. This trend underscores a growing global movement towards greater worker rights and representation and these

organisations are tools to mitigate social risks and channel worker dissatisfaction in a productive manner.

b) **Means**

DPAM employs a comprehensive approach, combining data-driven input and qualitative analysis to understand investee companies and engage effectively.

DPAM has defined five high risk sectors that are the most **prone to human rights and social infringements**. Every quarter, DPAM analyses companies in a sector and flag those that are in the **bottom 40% of the WBA Human Rights Benchmark**, or in the **bottom 20% of an industry-specific ranking** or have a **Social controversy level above 2**.

For all companies being flagged, a **company specific scorecard** is drafted by the RICC. This scorecard will focus on two distinct elements. First, a **deep dive on the reason why the company was flagged**, be it either a controversy or a lack in disclosure. Second, **assess if a company effectively handles a controversy case** or should improve its business practices on due diligence. The scorecard is set up by the RICC, discussed with the relevant sector analysts, and presented to the Portfolio Managers with an exposure to the companies with a scorecard. After this discussion with the Portfolio Managers the scorecard can result in 3 different outcomes:

- The company's Human Rights risks are properly managed by the company
- The company's Human Rights risks are not properly managed by the company, an official engagement is needed
- The company's Human Rights risks are not properly managed by the company and therefore a divestment is warranted

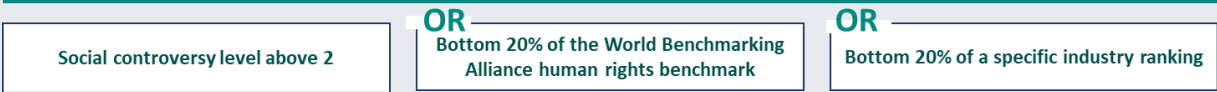


ESG integration in sustainable and responsible investment strategies

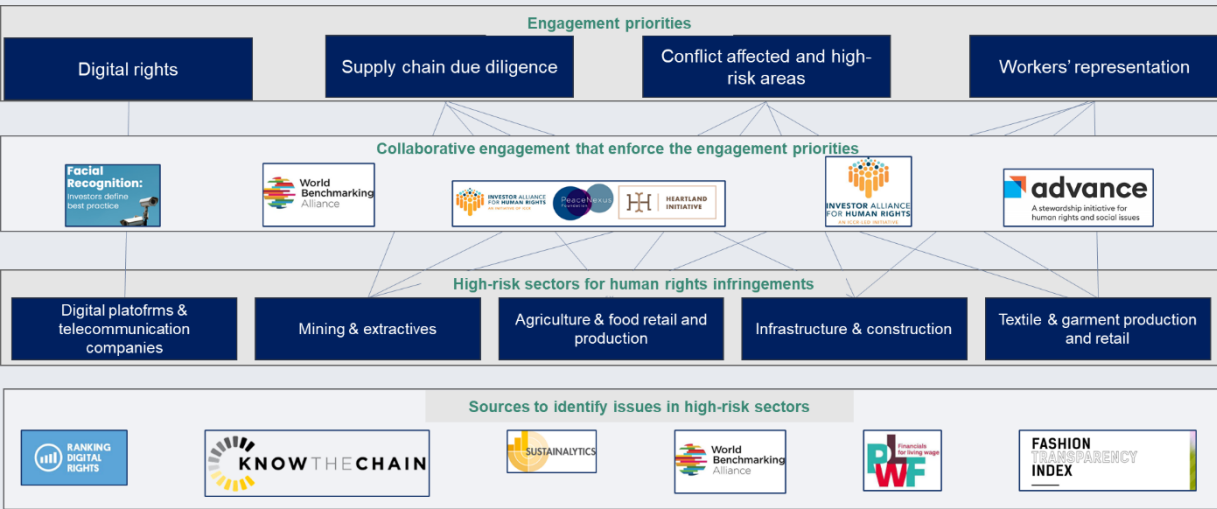
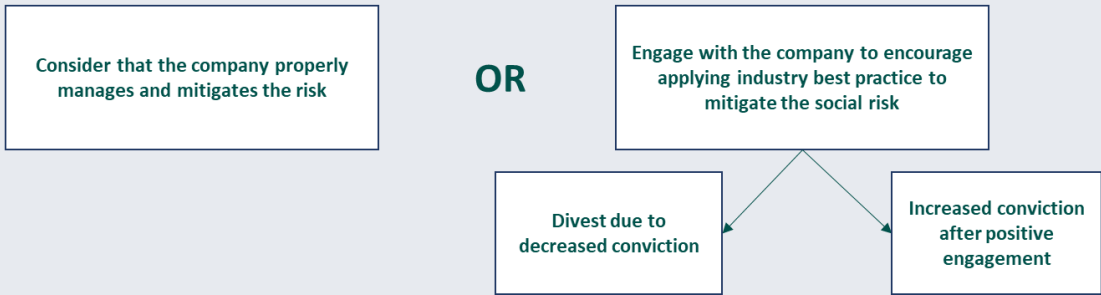
Identify high-risk sector prone to human rights infringements



Identify at risk companies for each high-risk sector



Deep dive analysis of at-risk companies



c) Objectives and Expectations

Digital rights

- To raise awareness regarding company accountability in data privacy for example. to set up a process to effectively check compliance and ensure protection for individuals with relevant policies and procedures, clear risk assessment and monitoring and verification mechanisms, for example;
- To address the increased expectations of individuals for transparency, control and the exchange of value;
- To consider data privacy experts and their positioning in the organisation;
- To be able to assess security processes and the robustness of company tools;
- To increase the culture of data privacy and cyber security in general, notably to get a view on training and best practice, on the implementation of dedicated programs and the adherence to international standards.

Due diligence on social risks in supply chains

- To commit to and implement the UN Guiding Principles on Business and Human Rights, adapted to the company context.
- To promote long-term and good relationships with suppliers;
- To help companies understand the ESG impact of the lifecycle of their products and to increase awareness regarding the integration of the lifecycle in the investee companies' responsible supply chain management;
- To increase prevention mechanisms against modern slavery;
- To encourage adoption of optimal systems to control the commitment to sustainability from suppliers;
- To encourage companies to conduct on-going impact assessments to identify human rights risks in their operations and supply chains and to address how these findings are incorporated into programs and remediation plans;
- To encourage companies to disclose regular reporting on adequate management of these risks including short and long-term anti-trafficking goals, timeframes for implementation, performance against these goals, an audit process and results, accountability measures and the percentage of high-risk factories and/or countries of operation within a company's supply chains (source ICCR).

Conflict-Affected and High-Risk Areas

- Assess the legality of business operations in accordance with UN resolutions and international law, ensuring alignment with the principles of the UN Charter.
- Promote corporate accountability by urging companies to comply with international law and UN guidelines.
- Encourage companies to conduct thorough human rights due diligence, addressing potential violations as outlined in the UN Guiding Principles on Business and Human Rights.
- Emphasize the importance of companies respecting the internationally recognised borders and sovereignty of the occupied territory.
- Discourage companies from engaging in activities that exploit the resources or labour of the occupied territory.

- Encourage constructive dialogue between companies, local communities, and relevant authorities, fostering cooperation to address concerns and promote adherence to international law.

Unionisation and Union busting

- **Promoting Fair Labour Practices:** Advocating for fair treatment of workers and encouraging companies to establish and uphold ethical labor standards.
- **Ensuring Employee Representation:** Supporting the establishment of mechanisms for workers to voice concerns and working towards creating avenues for employees to be part of decision-making processes.
- **Risk Mitigation:** Identifying and addressing potential labour-related risks within the supply chain and minimising the likelihood of labour disputes and disruptions.
- **Enhancing Corporate Reputation:** Aligning with socially responsible practices to bolster the company's image and demonstrating commitment to ethical and responsible business conduct.
- **Improving Long-Term Performance**
- **Legal Compliance:** Ensuring compliance with labour laws and regulations related to unionisation and collective bargaining and mitigating legal risks associated with potential violations.

2.4 Corporate Governance and Corporate Taxation

Governance covers a broad range of corporate activities including board and management structures as well as a company's policies, standards, information disclosure, auditing and compliance.

DPAM is convinced that ESG factors present significant opportunities and associated risks. Companies that excel at identifying and **incorporating these issues into their strategy** have a competitive edge which creates sustainable value in the long term.

a) Priorities

It is essential that ESG is at the heart of the boardroom's discussion and debate.

In line with TCFD recommendations, and extending beyond a narrow focus on environmental risk, companies should be urged to **adopt a robust governance framework to assess and address potential risks and opportunities arising from ESG challenges**. This involves evaluating how ESG risks are integrated into the enterprise's risk management processes and how these risks are deliberated by the Board. The Board's proactive approach to anticipating ESG risks, including skill assessments, training initiatives, and assigning specific responsibilities for ESG challenges, is essential.

This firstly requires an **agreement on the definition of the ESG factors** that shape the overall impact of the company's strategy. Through this exercise, the board can assess strategic ESG risks and opportunities relevant to the company and deliberate on their integration into the business strategy. Articulating the company's purpose beyond profitability and clarifying its role in society is crucial and should come from the board, which bears the responsibility of representing the intergenerational duty of the company.

DPAM, through board oversight, aims to ensure that the **board is appropriately composed and structured to oversee and monitor ESG aspects** within the context of its strategy and long-term value creation. In terms of governance, regulatory requirements to implement minimum safeguards have prompted us to enhance our scrutiny over controversies, incidents and scandals to which issuers may be exposed. Furthermore, the shift from a shareholder supremacy model to a stakeholder governance model underscores the concept of a company's "mission" towards society, sparking valuable discussions on the delicate balance within the corporate governance landscape.

Another crucial governance aspect highly valued by DPAM is the matter of **tax equity and avoidance**. Despite some limited initiatives from sustainable finance actors, it remains a complex and challenging topic.

In the past two years, efforts at OECD, G20, and EU levels have started yielding results. By the end of 2021, a landmark agreement was reached by 136 countries, imposing a minimum tax rate of 15% on corporate profit. At the EU level, the EU public Country-by-Country Reporting Directive is set to fully take effect in June 2024, making it more challenging for large multinational companies to optimise their tax basis within the EU. While many countries grapple with reducing fiscal deficits, the mitigation of tax optimisation will remain a governmental priority in the coming years. **Tax transparency and fairness are high-priority concerns for DPAM**, its portfolio managers, and research teams due to their significant materiality. DPAM has established a progressive and evolving approach designed to track companies' progress in these areas, based on the belief that engagement can promote responsible practice in the tax domain.

DPAM employs **various metrics to gauge tax transparency**, involvement in tax controversies, the estimated corporate tax gap, and the level of confidence in the estimates. This helps DPAM **identify companies engaged in aggressive tax optimisation**. DPAM consistently verifies the rationale behind the inclusion of companies on the list and retains the right to add or remove companies when identifying a taxation risk or detecting incorrect estimates used to compile the list. Subsequently, DPAM formulates engagement questions to be directed to company management, aiming to encourage good practices in tax transparency and fairness. In this process, DPAM refers to the **GRI 207: Tax 2019 standard**, the first globally applicable public reporting standard for tax transparency, setting expectations for the **disclosure of tax payments on a country by country basis**, along with tax strategy and governance. This standard is designed to enable organisations to better understand and communicate information about their tax practices publicly. When framing engagement questions, DPAM checks whether the company has published a Tax Strategy document, whether it is already reporting on taxes using the GRI 207: Tax 2019 standard, and/or whether this Tax Strategy is already aligned with these standards.

By highlighting the gaps between companies' practices and good practice and engaging with them, DPAM encourages companies to enhance their practices regarding tax transparency and fairness.

b) Means

The engagement actions on governance will be guided by the RICC, in close collaboration with the relevant portfolio managers and/or buy-side sector analysts. To facilitate the process and define appropriate engagement expectations, DPAM relies on a variety of internal and external sources, including:

- Internal DPAM assessments;
- OECD guidelines;
- International Corporate Governance Network, ECGN;
- Extra-financial data providers (Trucost, Sustainalytics, MSCI);
- Broker research.

DPAM will engage through written correspondence as well as conference calls and in person meetings.

c) Objectives and Expectations

ESG board oversight

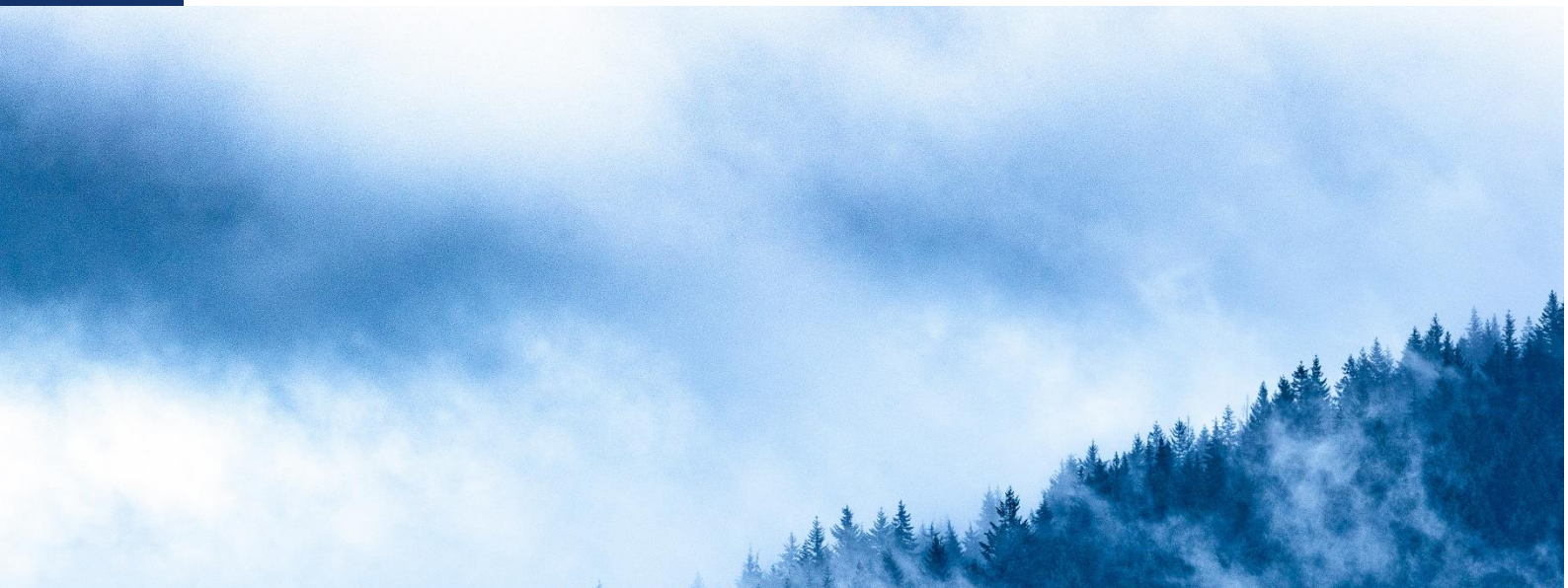
- To ensure that the **board has identified the material ESG issues that are strategically significant** for example, key for the long-term, sustainable viability and profitability of the company. This should also include the alignment and buy-in across the enterprise through the right culture and incentives.
- To ensure that **management of ESG risks and opportunities is embedded in business processes**. The impact of mega trends and challenges like technological disruption, radical

changes in consumer behaviour and resource scarcity, for example needs to be analysed alongside the impact on the company's long-term value creation needs.

- To expect that the **issuer understands how climate change and the energy transition can influence its activities** and how it can act on this.
- To encourage the issuer, if possible and relevant, to **contribute positively to the energy transition and achieve the goals of Paris Agreement**.
- To **increase awareness and formulate expectations** regarding management and board level oversight of ESG issues based on sector best-in-class examples, regulatory evolutions (in particular the EU Green Deal) and collaborative engagement resources, for example. This includes, but is not limited to:
 - Acknowledgment of management and board level oversight of ESG matters (in own reporting and via support/membership of relevant organisations);
 - Integration of ESG matters in the overall business strategy;
 - Remuneration linked to ESG targets (including disclosure and quantification);
 - Disclosure on stakeholder engagement activities (for example, lobbying);
- To ensure that **appropriate communication on ESG is provided to all stakeholders**. There is a significant demand for ESG data; the board should encourage management to appropriately inform its stakeholders on the role of ESG in the strategy. Integrated reporting and the use of existing standards on ESG reporting are encouraged. It is also worthwhile to encourage longer-term communication with shareholders and to use, for example, the earnings guidance communication to explain progress on ESG targets and discuss how these targets are contributing to the global sustainable performance of the company.
- To **make the board responsible for involving middle management in ESG priorities**. The middle managers in charge of products and services developed by the company need to be involved in the definition of ESG risks and opportunities that impact the business. To ensure buy-in, individual performance should be evaluated and rewarded by taking into account both financial and ESG performance.

Taxation

- to enable organisations to better understand and communicate information about their tax practices publicly;
- to encourage companies to upgrade their practices on issues of tax transparency and fairness;
- to support and accompany companies' progress on these issues over time.





III. How Do We Engage - Engagement Types

Engagement can be a long process and tangible outcomes can take years to materialise. As a result, prioritising certain engagement themes can optimise impact and efficiency. DPAM recognises that ‘overnight’ changes will not occur. Accordingly, monitoring both countries and companies, and engaging in regular interactions help us understand their responsiveness. In cases where engagement has limited impact, the investment case for the underlying security will be reviewed.

DPAM embraces engagement in various forms, including formal engagement with defined targets and escalation programs, voting at shareholder meetings and providing specific voting instructions. This engagement could also involve dialogues with companies or countries during meetings to understand their ESG practices and vision. The overarching goals remain enhancing the investment decision-making process and increasing DPAM’s net positive impact. Recognising engagement as a management tool, DPAM uses it to assess global risks, uphold values and best practice, evaluate opportunities, and encourage sustainability. The approach is proportional, considering the level of engagement based on investment exposure and issue materiality. DPAM may engage on a case-by-case basis, guided by policies such as the Proxy Voting Policy, Controversial Activities Policy, and Sustainable & Responsible Investment Policy. DPAM maintains an open-minded attitude, favouring dialogue and collaboration through formal or collaborative engagements. Additionally, DPAM actively participates in professional organisations, working groups, and national sustainable investment forums, contributing to the development of sustainable finance. To enhance its ESG knowledge, DPAM collaborates with external experts, involving them in investment groups and educating colleagues on relevant topics.

Engaged dialogue

With

Corporates
ESG Rating agencies

Why

To clarify / gather missing ESG information

Materiality

This involves discussing ESG considerations internally with investment professionals. We then enter into dialogue with companies rating agencies and have constructive debates on ESG topics. DPAM promotes best practice, and engaging with corporates and ESG rating agencies will help to:

- clarify ESG concerns
- strengthen convictions and add value to the investment process
- identify new opportunities and mitigate risks
- recommend corrective measures and best practice
- encourage companies to report on their efforts to incorporate ESG challenges into their strategies and adopt best practice
- make better informed investment decisions based on better understanding of the global sustainability picture
- demonstrate long-term commitment instead of short-termism

Objectives And Means

A better understanding of certain risk factors and opportunities

For companies in relevant business sectors or with identified issues, DPAM arranges calls or meetings to address key KPIs and sector-specific concerns. Analysts and portfolio managers are urged to incorporate ESG considerations in interviews with corporate management to foster awareness and gather information. Meeting notes are consistently shared among teams.

Supporting disclosure of material and relevant ESG information

There may be insufficient ESG information about smaller companies which are often overlooked by ESG rating agencies which may lead to lower ESG scores and potential exclusion. DPAM addresses this by asking targeted questions to correct biases and ensure fair scoring. DPAM's investment professionals, collaborate with ESG specialists, to engage with companies on the disclosure of key ESG information.

Engaging with ESG ratings agencies

ESG rating agencies have significant influence in global financial markets, impacting indexes that integrate ESG factors in their investment methodology. As ESG information is mainly coming from ESG rating agencies, DPAM, as an active, sustainable actor, scrutinises and challenges their research to ensure complete, correct relevant ESG information.

Outcomes And Escalation

In case of insufficient information or a low score on the scorecards, DPAM sets a timeframe of six months, from the date of initial engagement, to reach a conclusion on an issuer. Within this period DPAM will: send questions to the issuer; send several reminders, analyse the answers from the issuer, possibly ask additional questions, analyse the situation, assess escalation steps and decide whether to remain invested, to continue the escalation, to divest and/or to put the issuer on the exclusion list.

In exceptional cases the engagement might continue beyond the six-month period, if there is a legitimate reason for the engagement to exceed this period (for example in case an important report is about to be disclosed by the issuer).

Engaged dialogue

With

Countries

Why

Mutual learning

Materiality

Countries – Engaging as a Bondholder

We favour funding countries that are managed sustainably, and we inform countries on how and why we make these sustainability decisions.

DPAM has been a pioneer in developing a sustainability model at the country level (since 2007). Sovereign bond portfolio construction relies on in-depth country research which involves several trips to meet with authorities, central banks, government officials, employers' associations, and supranational entities such as the IMF, the World Bank or the OECD. This provides an opportunity to raise awareness about sustainability approaches in government bond investments and to discuss ESG challenges positively.

Objectives And Means

DPAM's sovereign bond portfolio managers engage in discussions with national debt management agencies about DPAM's sustainability model, discuss expectations for a sustainable country, and highlight the national strengths and weaknesses identified. The goal is to use their outputs for:

- Explaining DPAM's approach and its impact on investment decisions;
- Raising awareness about model outcomes, delivering a clear message to policymakers on the significance of country sustainability for investor appetite;
- Constructive feedback to improve the models.

Country engagement involves a two-step approach: (OECD: gradual rollout by mid-2023 reaching 90% of portfolio; Emerging Markets: gradual rollout by mid-2024 reaching 90% of portfolio)

- Creation of a Country Sustainability Scorecard (CSS): A concise 1–2-page document outlining a country's sustainability score compared to peers. This scorecard is updated with every country model refresh.
- Utilising the CSS for Engagement: This involves reaching out to relevant entities in the national treasury or equivalent, sharing the CSS, seeking feedback on government department scores, fostering dialogue on strengths and weaknesses, and discussing alignment with DPAM's Green Social & Sustainability (GSS) sovereign bond framework. The GSS Government Bond Policy is presented, and feedback on GSS debt issuance versus total debt issuance is discussed.

Engaging with labeled bonds, we conduct thorough ESG analysis using our internal scorecard system. We contact issuers for clarification and emphasising sustainability. We qualitatively assess new bond types to ensure adherence to standards. Our goal is to select bonds with a positive impact, raising the sector's environmental standards. If a bond's framework is not up to our standards, we communicate the reasons we did not invest to encourage improvement.

Outcomes And Escalation

Assessing engagement outcomes can be complex, especially within the government bonds sphere. Nonetheless, DPAM reports annually on its country engagement. Engagement outcomes will be assessed as follows:

- Level 0, i.e. no feedback/reaction was provided by the issuer (following a reminder).
- Level 1, i.e. issuer was open to feedback/engagement, no actions or new commitments undertaken.
- Level 2, i.e. issuer provided structural feedback on the model/ESG profile and/or GSS issuance and new commitments or actions were taken (e.g., forwarding to relevant department).

Formal Individual Engagement

With

Corporates

Why

To discuss serious ESG concern

Materiality

Corporates – Engaging as a Shareholder

Individual engagements are triggered by DPAM's investment convictions and its desire to optimize its net positive impact. These engagements are determined by a review of controversial activities, which is described in more detail in the engagement for reducing the harmful effects of our investments, by TCFD dashboards and TCFD assessment results, by ESG scorecards and DPAM willingness to defend specific convictions, values, and priorities when deciding on individual engagements.

Corporates – Engaging as a Bondholder

Bondholders do not enjoy the same legal rights or position as equity holders, as they do not possess similar voting rights. This is precisely why engaging with issuers is crucial for DPAM's fixed-income team. First, sustainability risks and opportunities are integrated at the very start of the research process as credit analysts and fixed-income portfolio managers integrate the ESG profiles of the issuer. Second, engaged dialogues to acquire more information on specific ESG issues or Sustainable Development Goal (SDG) outcomes of products and services provide crucial information for investment professionals, whether for bonds or equities. Third, DPAM aims to be a significant bondholder through its managed portfolios and is committed to its sustainability responsibility while in discussion with syndicated banks on the primary market.

Objectives And Means

Corporates – Engaging as a Bondholder

Engagement with corporates often takes place in the context of issuance of labelled bonds, such as sustainability-linked bonds or green bonds. During the issuance period, multiple calls take place to enhance communication between future bondholders and the issuing corporate entity. These calls provide an opportunity to explain our expectations regarding labelled bond frameworks, the delineation of the use of proceeds instruments or reporting. Our climate strategy incorporates a rigorous process to screen labelled bonds, and DPAM views it as essential to share its findings on bond quality with issuers, even if we deem the investment unviable due to a weak framework. Sharing our findings enables issuers to improve their labelled bond frameworks in the future.

Outcomes And Escalation

The success of an engagement is broadly assessed through five key points:

(1) Willingness of the company to engage in dialogue; (2) Acknowledgment of the significance of the raised ESG issue(s); (3) Willingness to improve its ESG performance; (4) Active implementation of a policy or a target; (5) Evidence of tangible improvements.

The scope of the escalation process covers engagement on: Controversies, TCFD dashboard and TCFD assessment results, ESG Scorecards (if engagement is necessary), and defending our values and convictions. Note that the corporate governance relies on a separate, customised approach. The escalation process refers to DPAM's roadmap in case of unsuccessful engagement. This means that the issuer was not open to dialogue, the dialogue was not constructive, or the escalation steps (see below) were deemed to be insufficient.

DPAM escalation steps:

1. Formal engagement letter with requests; 2. Identification of supporting investors via private/public letter; 3. Proxy Voting (resolutions, directors, remuneration, for example); 4. (Co-)filing of resolution; 5. Public statement; 6. AGM stance; 7. Litigation

Timeframe for divesting: 3 consecutive years of 'no/unsatisfactory progress' defined as:

- Letters: no implementation of the requests; and/or,
- Support: no identification of key investors/initiatives; and/or,
- Proxy Voting: no change of Chairman, no remuneration rejection or board/nomination committee opposition;
- AGM stance: no slot offered at AGM; and/or,
- Resolutions: No flagging of resolution, No solicitation of proxy providers, No (co-)filing possible, No significant increase in shareholder supporting the resolution (if filed), No implementation of shareholder proposals receiving majority vote

Formal Individual Engagement

With

Corporates

Why

Following Proxy Voting

Materiality

Taking part in shareholder meetings of our investee companies is a tenet of our social responsibility. It is an efficient way of showing our commitment to a more sustainable financial industry, advocating sustainable growth and a long-term risk management approach. In fact, general meetings are a good venue for exchanging ideas between shareholders and company executives. This allows well-informed investors to address specific issues in a more detailed manner or to raise pertinent questions.

By adopting this approach, DPAM advocates a vision that shows greater respect for all people and their environment in the long term. As investment horizons become constantly shorter, it is important to put the shareholder at the heart of the company as a co-owner who places its longevity above short-term profits.

Objectives

Protecting all shareholders

- A sound balance between enhancing entrepreneurship and financial results and integrating sustainability criteria
- All shareholders (controlling and minority) treated equally, one-share one-vote on-dividend, provision of all relevant information, for example.

Ensuring sound Corporate Governance

- The board of directors is responsible for setting a clear and sustainable corporate governance strategy in accordance with laws and regulations;
- The board of directors acts in the best interests of the company. Our assessment includes the following: independence of directors, CEO/chairman separation, mandates not exceeding 6 years, no conflicts of interest;
- The existence of a remuneration and/or nomination committee and an audit and/or risk management committee, with two or three independent members

Ensuring transparency & integrity of financial and extra-financial information

- Information should be clear, transparent, reliable, complete and to the extent legally required, properly audited and provided in due time before the company's general meeting
- Remuneration policy should contribute to the company's business strategy, long term interest and sustainability, and should explain how it does so

Good ESG responsibility of the invested company

ESG proposals should be in line with the UN Global Compact, ILO Conventions, OECD MNE guidelines, UN PRI, TCFD recommendations, OECD recommendations, NZAM initiative, UNGPs and Underlying Conventions and Treaties.

Outcomes And Escalation

Engagements to defend our corporate governance values follows a specific escalation process.

Firstly, this process is strictly limited to our equity investments. Secondly, the voting activity is overseen by the Voting Advisory Board (VAB), and the escalation process is clearly outlined in the engagement letter. In the event of repeated engagement letters to a company's investor relations team on the same issue, without any noticeable progress, DPAM reserves the right to address the letter to the Chairman of the Board of Directors.

TOPICS OF ENGAGEMENT	1ST YEAR	2ND YEAR	3D YEAR	4TH YEAR
INDEPENDENCE	ABSTAIN	AGAINST	AGAINST	CHAIRMAN OF THE BOARD
REMUNERATION	ABSTAIN	AGAINST	AGAINST	CHAIRMAN OF THE BOARD
POISON PILLS	AGAINST	AGAINST	CHAIRMAN OF THE BOARD	CHAIRMAN OF THE BOARD
ONE SHARE ONE VOTE ONE DIVIDEND	AGAINST	AGAINST	CHAIRMAN OF THE BOARD	CHAIRMAN OF THE BOARD
SEPARATION OF ROLES	AGAINST	AGAINST	CHAIRMAN OF THE BOARD	

Collaborative Engagement

With

Corporates

Why

To discuss serious ESG concern

Materiality

While DPAM usually pursues individual engagements as the main approach, it also evaluates opportunities to join ongoing collaborative initiatives for increased effectiveness when relevant to the issuer and the controversy at hand.

DPAM actively engages with multiple companies through collaborative initiatives by sharing expertise with other investors and working on dedicated thematic strategies.

Objectives And Means



Investors participating in collaborative initiatives typically hold multiple meetings throughout the year to:

- Identify and assess the key environmental, social, and governance (ESG) issues and controversies facing the company.
- Establish priority engagement topics for in-depth exploration.
- Conduct a detailed analysis of the company's publicly disclosed information on the topic, highlighting key data, and identify areas where additional disclosure is needed or action from the company is necessary to tackle the controversy/issue.
- Collaboratively draft an engagement letter, seeking approval from all involved investors.
- Forward the engagement letter to the company and arrange a follow-up call to discuss the proposed engagement.

Outcomes And Escalation

Escalation is often defined in agreement with all the engaged investees.

This can take the form of:

- Proxy Voting (resolutions, directors, remuneration, etc.);
- (Co-)filing of resolutions;
- Public statements;
- AGM stance; and
- Litigation



IV. Engagement transparency – reporting and consistency

This Engagement Policy is publicly available on the [DPAM website](#).

Documentation and the progress of engagement conducted by the research and investment teams and the responsible investment specialists is tracked in databases which are available to all investment professionals.

Committed to transparency, DPAM also publishes an annual engagement report on its [website](#) (this includes the: number of engaged companies, number of issues raised, objectives; and progress on engagement milestones). Some engagements tend to be more effective when kept confidential however, the report is as detailed and exhaustive as possible without sacrificing the efficacy of ongoing dialogues.

With respect to transparency, it is also important for DPAM to be consistent with its convictions and values across its activities. This is the reason why DPAM conveys its values and convictions in all of its communication with its partners and stakeholders through seminars, conferences and articles, for example. DPAM is convinced that education is among the most efficient ways of promoting best practice and mutual learning.

Contact Details

**Responsible Investment
Competence Center**
ri.competencecenter@degroofpetercam.com
Tel + 32 2 287 97 01



www.dpaminvestments.com



[/company/dpam](https://www.linkedin.com/company/dpam)



dpam@degroofpetercam.com



Blog: <https://shorturl.at/nzJPS>

Disclaimer

This document takes into account the requirements of the Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, for asset managers to publicly disclose their engagement policy.

The information contained in this document is provided for pure information purposes only and does not constitute a contractual commitment. Degroof Petercam Asset Management nv (DPAM), with registered office at Rue Guimard 18, 1040 Brussels, and which is the author of the present document, has made its best efforts in the preparation of this document and is acting in the best interests of its clients, yet without carrying any obligation to achieve any result or performance whatsoever. The information provided is from sources which DPAM believes to be reliable. However, DPAM does not guarantee that the information is accurate or complete. All opinions and estimates herein reflect a situation on the date of preparation of this document and are therefore subject to change at any time without prior notice. Specifically, past performance is not necessarily indicative of future performance and there is no guarantee it will be repeated. This document is provided without any warranty of any kind, either express or implied. DPAM shall not be liable for any losses or damages arising from or in connection with the information contained herein or the use, reliance on or inability to use any such information.

This document does not constitute investment advice and does not constitute independent or objective investment research.

This document is not an invitation to buy or sell any funds managed and/or offered by DPAM or the products or instruments referred to in this document. Decisions to invest in any fund managed and/or offered by DPAM, can only be validly made on the basis of the Key Information Document, the prospectus and the latest available annual and semi-annual reports. These documents can be obtained free of charge at our dedicated website (<https://www.funds.dpaminvestments.com>) and we strongly advise any investor to carefully read these documents before executing a transaction.

© Degroof Petercam Asset Management sa, 2024, all rights reserved. This document may not be reproduced, duplicated, disseminated, stored in an automated data file, disclosed, in whole or in part, or distributed to other persons, in any form or by any means whatsoever, for public or commercial purposes, without the prior written consent of DPAM. The user of this document acknowledges and accepts that the content is copyright protected and contains proprietary information of substantial value. Having access to this document does not transfer the proprietary rights whatsoever nor does it transfer title and ownership rights. The information in this document, the rights therein and legal protections with respect thereto remain exclusively with DPAM.

DPAM sa - Rue Guimard 18 | 1040 Brussels | Belgium