

Proxy Voting and Engagement: Activity Report 2023

1. Preamble

KBC Asset Management Group (“KBC AM”) executes the voting rights of shares managed in “Funds” (i.e. the collective investment undertakings both in the form of UCITS (Undertakings for Collective Investment in Transferable Securities) and of AIFs (Alternative Investment Funds)) and “Portfolios” (i.e. institutional investors as defined in the European Shareholders Rights Directive 2007/36 who entrust the implementation of an engagement policy as defined in article 3g of the Directive to a KBC AM company that invests on behalf of such institutional investors on a direct discretionary client-by-client basis) according to the Proxy Voting and Engagement Policy. As a consequence, KBC AM makes its voice heard at Shareholder Meetings of companies and engages with companies and/or policy makers of countries. This document outlines the key principles of the Proxy Voting and Engagement Policy of KBC AM and provides an overview of the actions taken in 2023.

2. Proxy Voting and Engagement Policy

Through managing Funds and Portfolios, KBC AM invests the capital entrusted to them by clients in financial instruments. This entails the responsibility to act in the best long-term interest of clients, both retail and institutional, and these interests may differ from those of KBC. Not defending investors’ interests would not be aligned with the sustainability principles of KBC Group. With shareholder activism on the rise, KBC AM needs to perform its duties as an asset management company in the interest of the investor on a continuous basis.

KBC AM is convinced that shareholder activism, in the medium and long term, may have a positive impact on the companies KBC AM invests in. This can have a significant impact on the value creation of the companies and indirectly on the returns of the Funds and Portfolios.

Social norms and legislation are moving towards more shareholder engagement. Thus, the European Union in 2017 has amended Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement. In this Directive the importance of having a policy around exercising voting rights is emphasized. The European Fund and Asset Management Association (EFAMA) also emphasizes the

importance of engagement and the exercise of voting rights. This Proxy Voting and Engagement Policy, among other things, implements the amended Directive, the EFAMA Stewardship Code and the transposition of the Directive per country at the level of KBC AM.

From this perspective, KBC AM (1) monitors the companies in which the Funds it manages are invested in, as well as the companies in which Portfolios are invested in, (2) intervenes with investee companies (avoiding insider information), (3) takes part in appropriate collective engagement initiatives and (4) exercises voting rights in a considered way. These responsibilities are executed in the exclusive concern of defending the interests of the investors of the Funds and the Portfolios. In order to obtain these results, KBC AM has created different initiatives, which are described in this document.

Where appropriate, KBC AM will enter into a dialogue with the management of the companies concerned, if necessary before it votes. The following elements, among others, may prompt a dialogue:

- A lack of transparency surrounding economic, strategic, corporate governance or corporate social responsibility elements;
- A poor performance as regards one or more 'sustainable business' criteria compared to their peers;
- Business-economic measures that threaten to destroy shareholder value.

The Policy is centered around the KBC AM Proxy Voting and Engagement Committee which co-ordinates the various steps of the Policy pursued. This committee consisting of seven permanent members, including two external advisors. At least once a year, and every time there is a specific request to do so, the Proxy Voting & Engagement Policy will be reviewed and possibly amended.

To determine its voting instructions, KBC AM uses the voting recommendations based on a benchmark voting policy developed by Institutional Shareholder Services (ISS), a proxy advisory firm that is a leading provider of corporate governance and responsible investment solutions. The latest version of this voting policy can be found on the website of ISS via the following link: <https://www.issgovernance.com/policy-gateway/voting-policies>.

3. Proxy Voting and Engagement facts

During last year, KBC AM, in its role of management company of the Funds and Portfolios involved, took part in the voting on 1 578 shareholder meetings, focusing mainly on agenda items related to the voting policy. KBC AM's voting policy encompasses:

- ✓ actively supporting proposals made at general meetings to create shareholder value in the medium and long term;
- ✓ encouraging companies to draft corporate governance policies that make them responsible players in their field; and
- ✓ opposing proposals that conflict with shareholder interests and the widely accepted principles of corporate governance and corporate social responsibility ("CSR").

3.1 Proxy Voting: number of meetings

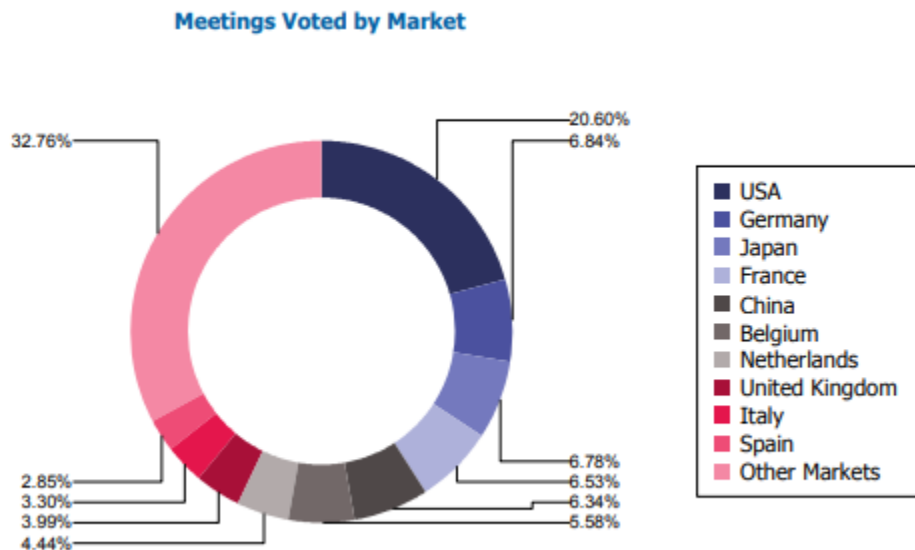
All companies in which the Funds and the Portfolios have the voting rights amounting to at least 0.05% of the specific general meeting are in scope. In addition, all companies of the main Stock Market Indices of KBC Group's Core Countries (being Belgium, Bulgaria, Czech Republic, Hungary and Slovakia) invested in by the Funds and the Portfolios; and all companies invested in by KBC ECO Fund Impact Responsible Investing are also in scope. These voting rights result from the ownership of equity (voting rights resulting from corporate bonds are not in scope of the voting policy).

As a result of this scope, KBC AM took part in 1 578 shareholder meetings over 2023.

Table 1: Proxy Voting: number of meetings voted on

	2016	2017	2018	2019	2020	2021	2022	2023
Number of meetings voted	132	158	183	207	320	351	811	1578

The figure below presents the breakdown of meetings voted by market.



3.2 Proxy Voting: voting behaviour

The tables below present the voting behaviour of KBC AM. The number of meetings with at least 1 vote Against, Withhold or Abstain amounted 794 meetings, or approximately 50%.

	Number	%
Number of votes FOR	17 541	87.34%
Number of votes AGAINST	2 079	10.35%
Number of votes ABSTAIN	94	0.47%
Number of votes WITHHOLD	107	0.53%
Number of votes on MSOP	262	1.30%
Total	20 083	100.00%

	Number	%
Number of votes With Mgmt	18 089	90.07%
Number of votes Against Mgmt	1 994	9.93%
Total	20 083	100.00%

The items where KBC AM has voted most against are:

- Director Elections
- Compensation Systems
- Share Issuance Requests
- Share Repurchase Program

1. Director Elections

Director elections are one of the most important voting decisions that shareholders make, especially because shareholders are only given the opportunity to review their company's operations once a year at the shareholder meeting. Thus, if detailed information on boards or nominees is available, analysis to the highest degree possible is warranted.

When voting on director election proposals, KBC AM takes into account the board composition, independence and any negative views or information on either the company or individual directors. KBC AM considers the number of executive directors, both non-independent and independent non-executive directors, the existence and composition of board committees, and the independence of the chairman. The attendance records of directors, when such information is provided to shareholders, are also taken into account using a benchmark attendance rate.

2. Compensation systems

Both the legal framework and market practice regarding remuneration disclosure varies widely among different European markets. Equity-based plans are put to vote in several markets, and the structures of these plans are of vital interest to shareholders. When given the opportunity to review these structures, KBC AM supports plans that motivate participants to focus on long-term shareholder value and returns, encourage employee stock ownership, and more closely align employee interests with those of shareholders.

3. Share Issuance Requests

Issuances can be carried out with or without pre-emptive rights. Pre-emptive rights permit shareholders to share proportionately in any new issuances of stock. These rights guarantee existing shareholders the first

opportunity to purchase shares of new issuances of stock in the class they own in an amount equal to the percentage of the class they already own.

In general, KBC AM supports issuance authorities with pre-emptive rights to a maximum of 50 percent over currently issued capital and as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines.

In some cases, companies may need the ability to raise funds for routine business contingencies without the expense of carrying out a rights issue. Such contingencies could include the servicing of option plans, small acquisitions, or payment for services. When companies make issuance requests without pre-emptive rights, shareholders suffer dilution as a result of such issuances. Therefore, authorizations should be limited to a fixed number of shares or a percentage of capital at the time of issuance. In general, KBC AM supports issuance authorities without pre-emptive rights to a maximum of 10 percent (or a lower limit if local market best practice recommendations provide) of currently issued capital as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines.

4. Share Repurchase Programs

Proposals regarding share repurchase plans are routine in most countries, and such plans are usually sufficiently regulated by local laws or listing requirements to protect shareholder interests.

KBC AM takes the following attributes into account for share repurchase plans: limitations on a company's ability to use the plan to repurchase shares from third parties at a premium; limitations on the exercise of the authority to thwart takeover threats; and a requirement that repurchases be made at arm's length through independent third parties and that selective repurchases require shareholder approval.

3.3 Engagement: overview

KBC AM interacts with investee companies on an ongoing basis. Such dialogue takes place through meetings with company's management to discuss specific concerns. This includes ad hoc meetings with the Chief

Executive Officer, C-level management, (senior) independent directors, the chairman and/or members of the supervisory board, investor relations' representatives of the company under coverage.

The dialogue between companies and investors on Environmental, Social and Governance (ESG) issues and the companies' financials is a common practice. It benefits both parties, by making companies aware of the issues and the opportunities, and by giving investors more insights.

In addition, KBC AM takes an active role in engaging with investee companies and/or policy makers of countries. The aim is to raise awareness of sustainability and to stimulate action in the event of ESG issues. KBC AM is convinced that these initiatives will strengthen an issuer's insight into those issues that are important to shareholders. Engagement initiatives of KBC AM are divided into two categories: 'Collective engagement' and 'Individual engagement'.

Collective Engagement

Collective engagement is an initiative in which a group of investors engage together and go into dialogue with companies or policy makers of countries on environmental, social and governance (ESG) issues. By working together, investors can more effectively communicate their concerns.

In 2020, KBC AM has joined the collective engagement initiative Climate Action 100+. This is an investor-led initiative to engage systemically engage important greenhouse gas (GHG) emitters and other companies across the global economy, which have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement.

In 2023 KBC AM joined the Nature Action 100. Nature Action 100 is a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss. The initiative engages companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030.

In addition, KBC AM has joined two collective engagement initiative organized by Morningstar Sustainalytics, being 'Material Risk Engagement' and the 'Global Standards Engagement'. This first collective engagement initiative focuses on the engagement with high-risk companies on material ESG issues, while the latter focuses on the engagement with companies that violate internationally recognized standards.

Results of assessments of collective engagement initiatives are presented to the Proxy Voting and Engagement Committee. Based on this input the PVEC can decide to vote against certain resolutions in proxy voting or in extreme cases to disinvest from the issuer.

Individual Engagement

Individual engagement is an initiative in which only KBC AM goes into dialogue with companies or policy makers of countries on environmental, social and governance (ESG) issues.

For each issuer KBC AM individually engages with, an in-depth analysis is made. For this purpose, KBC AM may use sustainability data from internal and external sources (e.g., ESG data providers such as Sustainalytics and MSCI). In addition, KBC AM may communicate with relevant stakeholders to gain additional insights. In a next step, KBC AM will identify the necessary improvement objectives, which will be provided to the issuer with whom KBC AM engages.

For 2024, KBC AM has selected five topics, being (1) Raise awareness about sustainability among Belgian policy makers, (2) Introduction of greenhouse gas emissions ambitions and targets, (3) Gender Board Diversity, (4) Companies with the greatest influence on tropical deforestation and (5) Companies suspected of violating Human Rights.

Case 1: Raise awareness about sustainability among Belgian policy makers

Type of Engagement

Improve ESG policies

Issuers in scope

Belgium

Number of cases

1 case

Argumentation

Every year, KBC Economics publishes an 'Economic Research Report' with the sustainability profile of developed and emerging countries, based on the Country scoring model. KBC AM intends to bring these

publications to the attention of relevant Belgian politicians/policy makers to raise awareness about sustainability.

Case 2: Introduction of greenhouse gas emissions ambitions and targets

Type of Engagement

Resolve ESG issues

Issuers in scope

Companies in scope of Climate Action 100+ that did not set greenhouse gas emissions targets at the short-term or medium-term, invested in by the Funds and the Portfolios: Anhui Conch Cement, China Shenhua Energy, Coal India, Oil & Natural Gas, PetroChina and United Tractors

Number of cases

6 cases

Argumentation

These are important greenhouse gas (GHG) emitters which have significant opportunities to help achieve the goals of the Paris Agreement to limit global warming.

Case 3: Gender Board Diversity

Type of Engagement

Resolve ESG policies

Issuers in scope

Companies with only one gender on the Board since 2023, invested in by the Responsible Investing Funds: Autohome, B&S Group, CPI Property Group, Dermapharm Holding, Elmos Semiconductor, New Oriental Education & Technology Group, PVA TePla, Rational, Wacker Neuson and WashTec.

Number of cases

10 cases

Argumentation

KBC AM is convinced of the benefits of more gender diversity on Boards. And those benefits are substantiated in several studies. The Harvard Business Review recommended in 2006 that Fortune 500 companies should have at least three female directors. In addition, a report titled "The Five Tenets of Diversity: Values Create Value" showed the correlation between strong diversity measures and good financial performance

Case 4: Companies with the greatest influence on tropical deforestation

Type of Engagement

Resolve ESG policies

Issuers in scope

All companies that are among the top 350 companies with the greatest influence on tropical deforestation following the Forest 500 ranking compiled by Global Canopy, and have a score of less than 25% based on that ranking, invested in by the Responsible Investing Funds: Adidas, Domino's Pizza, Ebro Foods, Koninklijke DSM, Kraft Heinz, Sysco, Walgreens Boots Alliance, Hormel Foods, Lowe's Companies, Nomad Foods, Home Depot, H&M, Amazon, Coty, Nike, Skechers and Westrock.

Number of cases

17 cases

Argumentation

Every two years, Global Canopy publishes the 'Forest 500', that identifies the 350 companies with the greatest influence on tropical deforestation, based on their exposure to forest-risk commodities, and the 150 financial institutions which are providing the most finance to them. KBC AM is engaging with all companies that for two consecutive years are among the top 350 companies with the greatest influence on tropical deforestation, have a score of less than 25% based on that ranking, and of which KBC AM holds equity positions in its Responsible Investing funds.

Case 5: Companies suspected of violating Human Rights

Type of Engagement

Resolve ESG policies

Issuers in scope

Companies suspected of violating Human Rights based on the Global Standard Screening of Sustainalytics, for which there is no consensus among data providers on the severity of the violations, invested in by the Funds and the Portfolios: Baidu, Tencent and Weibo.

Number of cases

3 cases

Argumentation

Human rights are rights inherent to all human beings, whatever our nationality, place of residence, gender, national or ethnic origin, colour, religion, language, or any other status. We are all equally entitled to our human rights without discrimination. These rights are interrelated, interdependent and indivisible.