

Engagement Policy: Activity Report 2020

KBC Asset Management NV – Branch BFT, Bulgaria

I. GENERAL PROVISIONS

KBC Asset Management NV - Branch BFT, Bulgaria, exercises its right to vote for the shares held in its funds under management, in accordance with the Engagement Policy described here. The current document outlines the key principles of KBC AM's Engagement policy and provides an overview of the actions taken in 2020.

The Engagement Policy (respectively the "**Policy**") of "KBC Asset Management NV – Branch" BFT, Bulgaria, a branch of the foreign Management Company "KBC Asset Management NV" - Belgium, Brussels ("the MC Branch"), determines the manner and order in which the MC Branch monitors, controls and participates in the management of the companies in which the MC Branch invests at the expense of the collective investment schemes managed by it and of the clients of individual portfolio management services (collectively called "the Investors"). The Policy is prepared in accordance with the requirements of Art. 105a of the Activity of Collective Investment Schemes and Other Undertakings for Collective Investment Act ("ACISOUICIA"), other applicable legislation on the activities of management companies and the engagement principles of asset managers developed by the European Fund and Asset Management Association (EFAMA).

It is our belief that shareholder activism, in the medium and long term, may have a positive impact on the companies in which KBC AM invests through its funds. This can have a significant impact on the ability of companies to create value and indirectly on the return of our funds.

The Policy aims to encourage the establishment of long-term relationships between the MC Branch and the companies in which it invests at the expense of the Investors, and thus to improve the services provided by the MC Branch by achieving the best possible investment result for the Investors in compliance with their chosen investment objectives, policies, strategies and limitations. To this end, the MC Branch shows engagement to the companies in which it invests by regularly monitoring their activities, maintaining contact with their representatives and exercising the rights to the shares in which the MC Branch has invested at the expense of the Investors, including jointly with other shareholders.

The MC Branch applies the Policy to all direct equity investments made at the expense of the Investors in companies whose registered office is located in a country that is part of the European Economic Area and whose shares are admitted to trading on a regulated market located or operating in a country that is part of the European Economic Area. The MC Branch may choose not to apply certain requirements of this Policy to an Investor's investment in a certain company when the application of these requirements is associated with disproportionate difficulties of a legal and/or factual nature that outweigh the benefits of their application, including in view of the amount of the managed share participation in that company; the geographical location of the company's registered office and of the regulated market on which it is admitted to trading; the possibility and costs related to contact the representatives of the company and the exercise of rights related to participation in that company, etc.

II. MONITORING OF THE ACTIVITIES OF THE COMPANIES IN WHICH THE MC BRANCH INVESTS

In order to ensure that the Investors' funds are invested in accordance with the investment goals, policies, strategies and restrictions set by them, the MC Branch regularly monitors the activities of the companies in which it invests at the expense of

the Investors. As part of this monitoring, the MC Branch examines whether and to what extent the companies in which it invests have effective management, a sustainable corporate governance structure and adequate supervisory and control bodies. Depending on the engagement and goals of its Investors, the MC Branch monitors the current financial and non-financial results and risk of the companies in which it invests, in relation to the following aspects:

- ✓ Business strategy and its implementation;
- ✓ Risk management;
- ✓ Environmental and social responsibility;
- ✓ Quality of corporate governance, including composition, qualities and remuneration of the governing bodies, the presence of independent directors, etc.;
- ✓ Regulatory compliance, corporate culture and ethics;
- ✓ Financial and non-financial results and capital structure.

In order to assess the financial and non-financial results and risk of the companies in which it invests, the MC Branch may use the following sources of information:

- ✓ Public financial reporting and non-financial information provided by the companies, including disclosed annual and interim financial statements, audit reports, activity reports, regulatory disclosures related to corporate governance, etc.;
- ✓ Disclosed inside information, press releases, presentations, public appearances of the companies, their governing bodies and majority shareholders;
- ✓ Agenda and materials for convened general meetings of shareholders;
- ✓ Official stock exchange bulletins or similar sources of information maintained by the regulated market on which a company is admitted to trading;
- ✓ Standard platforms for market information, such as Bloomberg, etc.;
- ✓ Official statistical and reference information;
- ✓ Analyses, publications and comments of certified Bulgarian and foreign consultants and analysts, including authorized advisers within the meaning of §1, item 55 of the Additional Provisions to the Public Offering of Securities Act ("**POSA**");
- ✓ General one-time or periodic meetings between the management of the companies and the investors;
- ✓ Industrial conferences, seminars and trade fairs.

III. COMMUNICATION WITH THE COMPANIES IN WHICH THE MC BRANCH INVESTS

When, during its monitoring under item II above, the MC Branch identifies current or potential problems and risks in the monitored activities of a company in which it has invested at the expense of the Investors, the MC Branch - taking into account the possibility of proportional application of the Policy - may contact representatives of the company and require the provision of additional information, respectively elimination of these problems and risks.

The MC Branch contacts the companies in which it invests, using appropriate contact points, including investor relations directors, members of the management or the supervisory bodies and/or other employees in management positions in the respective company.

The MC Branch can communicate with the companies in which it invests by all means appropriate to the relationship with the respective company, including through

meetings with representatives of the company's senior management, telephone conversations, exchange of electronic messages, submission of written complaints and requests for information, etc. Communication with companies in which the MC Branch invests can be either unilateral (for example, by sending opinions and comments on current developments in the respective company) or bilateral, in the form of dialogue or exchange of information between the MC Branch and the respective company.

When the representatives of a company in which the MC Branch invests are not ready for a constructive dialogue on the identified weaknesses in its corporate governance, or when it is obvious that initiating a dialogue is not appropriate to eliminate these weaknesses, the MC Branch should undertake additional steps, including but not limited to:

- ✓ Taking joint actions with other shareholders in the company in accordance with item IV below, including to file claims against the company and/or members of its management and supervisory bodies;
- ✓ Voting against and/or abstaining from voting on proposals for decisions of the respective general meeting of the shareholders of the company;
- ✓ Proposing, as far as the Investors have the necessary number of shares from the capital of the company, the inclusion of issues or proposing decisions on issues already included in the agenda of a forthcoming general meeting of the company;
- ✓ Initiating, including acting together with other shareholders, the convening of an extraordinary general meeting of the company according to an agenda determined by it/them;
- ✓ Exercising other rights arising from or related to the managed shareholding in the company, which are appropriate for eliminating the identified weaknesses;
- ✓ Terminating the investment by disposing of the managed shareholding in the company.

IV. COOPERATION WITH OTHER SHAREHOLDERS IN THE COMPANIES IN WHICH THE MC BRANCH INVESTS

In the management of investments, the MC Branch is guided only by the interest of the Investors to achieve the best possible investment result in accordance with the investment goals, policies, strategies and limitations set by the Investors. Therefore, as a rule, the MC Branch does not intend to take joint actions with other shareholders in which the MC Branch invests at the expense of the Investors.

In rare cases, the MC Branch may decide to cooperate with other shareholders in companies in which the MC Branch invests when such cooperation is in the best interests of Investors, including in order to deal with the effects of extraordinary events for the company or the economy as a whole, which create a significant risk for the activity and the future development of the company. The main factors that the MC Branch takes into account when deciding whether to participate in collective action with others include:

- ✓ Whether the objectives of the joint actions coincide with the objectives of the Investors;
- ✓ Whether the engagement as part of a group will be more successful than the engagement individually, including whether participation in collective action with others is necessary in order to provide an opportunity to take action for which the Investors alone do not have the required number of shares according to applicable legislation;
- ✓ Whether the joint actions can be interpreted as "concerted actions" with another person, in which case the MC Branch shall not participate in such actions;
- ✓ Whether the joint actions comply with the applicable law and the internal rules and procedures of the MC Branch, including on the treatment of conflicts of

interest and the prevention of market abuse; otherwise the MC Branch shall not participate in such actions.

V. EXERCISE OF VOTING RIGHTS ON SHARES IN COMPANIES IN WHICH THE MC BRANCH INVESTS

In order to achieve best execution in the management of investment portfolios, the MC Branch applies mechanisms that allow it to monitor the timely receipt of information about forthcoming general meetings of holders of shares in companies in which it has invested assets of any of the Investors. In addition, the MC Branch uses pre-prepared strategies to determine the time and manner in which the right to vote will be exercised at the expense of the Investors in the shareholding.

In implementation of the prepared strategies the MC Branch shall:

- ✓ Monitor publicly announced information about forthcoming general meeting of holders of shares in a company in which the MC Branch has invested funds;
- ✓ Ensure that the exercise of voting rights is in accordance with the investment objectives and limitations of the respective Investor;
- ✓ Take measures to prevent or manage conflicts of interest arising from the exercise of voting rights.

The MC Branch exercises the right to vote in the exclusive interest of the Investors and in ensuring independence from the interests of third parties, for example, other Investors, etc.

The MC Branch decides on the timing and manner in which voting rights will be exercised in a managed shareholding, taking into account the following, non-exhaustively listed criteria:

- ✓ Amount of the investment in the company - issuer of the financial instruments;
- ✓ Agenda of the forthcoming general meeting, including issues related to the areas of engagement;
- ✓ Proposals of the management body of the issuing company for decisions on the issues included in the agenda;
- ✓ Expenses related to the exercise of the right to vote.

The MC Branch may decide not to exercise the right to vote on a shareholding managed by it when the application of these criteria shows that the difficulties of a legal and/or a factual nature related to the exercise of the right to vote significantly outweigh the benefits of the voting, i.e. the voting is negligible.

Before deciding whether to exercise the right to vote on a shareholding managed by the MC Branch and how to exercise this right at a forthcoming general meeting of shareholders in a company in which the MC Branch has invested, the MC Branch considers and carefully analyses the proposals of the management body of the issuing company and other proposals for decisions on the items on the agenda, if any. For this purpose, the MC Branch monitors daily the availability of publicly announced information about forthcoming general meetings of companies in which the MC Branch has invested, including but not limited to information about the date of the general meeting, the agenda and the proposals for decisions on the items on the agenda, and instructions on where the materials for the respective general meeting can be found. In the case of held foreign financial instruments, the information under the previous sentence may be provided to the MC Branch also by the person providing depository services, where these instruments are kept. The MC Branch performs an assessment of the participation of the MC Branch at the forthcoming general meeting taking into account the above criteria, as well as the compliance with investment objectives and limitations. As a result of the

assessment, a proposal is prepared to the senior management of the MC Branch, including by preparing a draft power of attorney, which contains details of the forthcoming general meeting, as well as proposals on the manner of exercising the right to vote on each agenda item separately.

The MC Branch shall vote at the general meeting with all financial instruments owned by the Investors and managed by the Branch. Voting rights are exercised through the legal representatives of the MC Branch or through a person authorized by them. In case of authorization, and without prejudice to the special requirements of the applicable legislation, the power of attorney should be explicit for the specific general meeting, in writing and should contain specific instructions on the manner of voting. When the power of attorney gives the proxy the right to vote at his/her own discretion, the latter must exercise the voting rights in the exclusive interest of the Investors.

The MC Branch exercises the voting rights on shares in companies in which it invests at the expense of Investors - collective investment schemes managed by the MC Branch, in accordance with the *Best Execution Policy*.

VI. CONFLICT OF INTERESTS MANAGEMENT

In addition to the above in this Policy, the MC Branch manages the actual and potential conflicts of interest, related to the shareholding in the companies in which the MC Branch invests, in accordance with the *Conflict of Interests Policy*.

VII. ACTIVITY IN 2020, RELATED TO THE ENGAGEMENT POLICY

The MC Branch reports on its activities in connection to the implementation of the Engagement Policy from the moment it came into force for it. Therefore, this report covers limited participation in general meetings of shareholders (GMS) for the calendar year of 2020, because the policy was adopted on 21 September 2020. During the period September 21 - December 31, 2020 there were very few GMS of Bulgarian public companies, which accordingly explains the small volume of this reporting.

For the respective period in 2020, the MC Branch participated in one GMS and two meetings with investors, organized by local companies. At these events, issues related to Section II above were discussed. Information about the issuers’ meetings, attended by a representative of the MC branch, can be seen in the tables and graphs below:

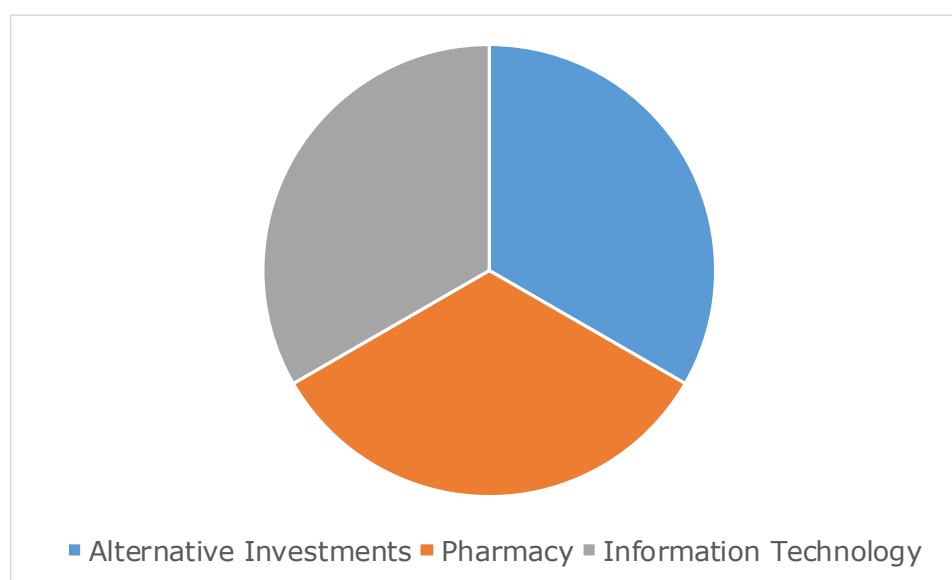
Table 1. List of companies and event dates

NAME	DATE
Sopharma AD	25.09.2020
Eleven Capital AD	10.11.2020
Alterco AD	06.10.2020

Table 2. Exercised voting rights at GMS

Issue	In favour	Against	Abstain
Amendments to Articles of Association	-	-	-
Director Elections	-	-	-
Share Issuance Requests	-	-	-
Share Repurchase Plans	-	-	-
Compensation Systems	-	-	-
Profit distribution	1	-	-
Auditor	-	-	-
Annual Report	-	-	-
Investor Relations	-	-	-
Remuneration policy	-	-	-
Management changes	-	-	-
Social Policy	-	-	-

Graph 1. Company Sectors



Overview of general meetings of shareholders and other meetings with companies

Representatives of the MC Branch attended one GMS and two other meetings with companies, represented in our funds:

1. General Meeting of Shareholders - Eleven Capital AD

Convened on 10.11.2020, this extraordinary GMS of Eleven Capital AD was held with the following agenda:

- Selection of a registered auditor for 2020;

The representative of the MC branch voted for the acceptance of EY as a registered auditor for 2020.

2. Meeting with investors - Allterco AD

The meeting of the investors, held on October 6, 2020, had the main goal to introduce them to the then forthcoming capital increase of the company. Investors received information about the parameters of the capital increase, as well as how the process will

proceed. The rest of the event was focused on the company's leading products, the company's strategies, as well as the financial results for the first half of 2020. The meeting ended with a Q&A session, where the management answered questions from the audience.

3. Meeting with the investors - Sopharma AD

This event was held online on 25.09.2020, which was hosted by the executive director of the Sopharma Group - Ognyan Donev. Issues related to the group's performance in times of health crisis were discussed, as well as the group's performance on its various markets. The main topics were also the amount of the dividend, as well as potential investment opportunities for the company.

Through the Headquarters in Belgium, KBC Asset Management NV, 13 other GMS of international companies, represented in the funds managed by the MC Branch, have been participated in. These are of mostly European companies:

	Name
1.	Trigano SA
2.	Raisio Oyj
3.	Novo Nordisk A/S
4.	ING Groep NV
5.	Anheuser – Busch Inbev SA/NV
6.	UCB SA
7.	Galapagos NV
8.	Kaufman & Broad SA
9.	ArgenX SE
10.	Koninklijke DSM NV
11.	Gilead Sciences Inc
12.	Ontex Group NV
13.	bluebird bio Inc.

VIII. POLICY PUBLICATION. DISCLOSURE OF INFORMATION

The MC Branch publishes this Policy, including its amendments and supplements, on its website within 7 days of the relevant decision of the senior management of the MC Branch.

The MC Branch publishes annually on its website an information on the implementation of the Policy, which contains:

- ✓ General description of the manner of voting by the MC Branch;

- ✓ Explanation of the most important votes;
- ✓ Information on the use of the services of an authorized advisor within the meaning of §1, item 55 of the additional provisions of the POSA;
- ✓ Information on how the right to vote was exercised in the companies in which the MC Branch had invested at the expense of the Investors, except when the voting was determined as insignificant according to the criteria specified in item V above.

The information on the implementation of the Policy shall be published within three months after the end of the financial year in which the right to vote has been exercised, and the information shall remain available until the next publication. Access to the Policy and information on its implementation is free.

IX. ADDITIONAL INFORMATION OBLIGATIONS OF THE MC BRANCH IN CASE OF PROVISION OF PORTFOLIO MANAGEMENT SERVICES TO INSTITUTIONAL INVESTORS

In 2020 the MC Branch did not sign any contracts for portfolio management services with persons specified in Art. 105b, para 1 of the ACISOU CIA (so called "**Institutional Investors**").

This Report was prepared by the Fund and Portfolio Management Department, and was approved by the Senior Management of "KBC Asset Management NV – Branch BFT, Bulgaria with order N^o 18/26.03.2021