

VOTING POLICY

JULY 2022



1. INTRODUCTION

Bank Nagelmackers promotes good governance practices that support the creation of long-term shareholder value and help improve the integrity of financial market transactions.

This voting policy details the principles and voting guidelines it applies with respect to corporate governance, as well as its implementation, organizational structure and execution. The scope of this voting policy encompasses all funds managed by Bank Nagelmackers.

Voting rights are exercised for all companies whose shares are held in funds managed by Bank Nagelmackers. This policy was validated by the Sustainability Committee of Bank Nagelmackers nv in July 2022 and its Executive Committee in August 2022.

2. VOTING GUIDELINES

Bank Nagelmackers is committed exercising its voting rights with the best interest of shareholders at heart, in application of Principle 2 of the UN Principles for Responsible Investment, of which it is signatory. As an active owner, Bank Nagelmackers has incorporated ESG issues into ownership policies and practices. Based on internationally accepted International Corporate Governance Network (ICGN) Global Governance Principles, recommendations from the OECD, regional regulations and market best practices and ISS Sustainability Policy, Bank Nagelmackers has established the following principles, that consist of four main elements.

1. Sound corporate governance
2. Shareholder rights
3. Transparency of financial information
4. Environmental & social issues

The policy adopted by Bank Nagelmackers is based on the ISS Sustainability Policy. More information is available at ISS' [Sustainability Policy](#).

1. Sound corporate governance

Board of directors

1. Vote for the election of a director nominated by management unless:
 - Adequate disclosure has not been provided in a timely manner
 - There are severe concerns over questionable finances or restatements
 - There have been questionable transactions with conflicts of interest
 - There are any records of abuses against minority shareholder interests
 - The board fails to meet minimum corporate governance standards, including board independence standards
 - There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities
 - Absences at board and key committee meetings have not been explained (in countries where this information is disclosed).
 - The board lacks at least one director of an underrepresented gender identity
2. Vote for discharge of directors unless reliable information reveals that the board is not fulfilling its fiduciary duties such as:
 - A lack of oversight or actions by board members leading to shareholder distrust
 - Legal issues aiming to hold the board responsible for breach of trust
 - Material failures of governance including failure to adequately manage or mitigate ESG risks
 - Lack of sustainability reporting with a failure to manage or mitigate ESG risks
3. Vote against proposals to indemnify auditors
4. Vote for a fixed board size
5. Vote against the introduction of classified boards and mandatory retirement ages for directors
6. Vote against proposals to change board structure or size in the context of a fight for control of the company or board.

Remuneration

Our guiding principles for executive and director compensation are as follows:

- Present clear and full compensation disclosure to shareholders
 - Sustain a remuneration structure that prioritizes the creation of long-term shareholder value
 - No arrangements that result in 'pay for failure'
 - Independent and effective remuneration committee
 - No unjustified pay to non-executive directors
1. Generally vote against executive compensation-related proposals when they fail to comply with one or more of the above-listed guiding principles. This will be the case if:
 - Information on compensation-related proposals is not made available to shareholders in a timely manner
 - The level of disclosure of the proposed compensation policy is insufficient for shareholders to make an informed decision
 - There is a failure to disclose all elements of the compensation
 - The structure of short-term or long-term incentives or the balance between both are inappropriate
 - There is a failure to link the company's performance and variable incentives
 - There is a discrepancy between the company's performance and executive payouts
 - The level of executive pay is excessive relative to peers, company performance and best practices
 - A significant pay increase is not explained by detailed and comprehensive disclosure
 - Termination payments exceed 2 years' pay or any more restrictive provision set by local legal requirements and/or market best practices
 - Executives serve on the compensation committee
 2. Generally vote for equity-based compensation if the plan is aligned with the long-term shareholder interests and align the reward with shareholder value under the following conditions:
 - The awards must not exceed 5 percent of the company's issued share capital (10 percent for high-growth companies or challenging performance criteria)
 - The plan must be sufficiently long-term in structure with vesting of awards no less than three years after grant date and if applicable conditioned on meeting performance targets measured over at least three consecutive years
 - Full disclosure of performance criteria that are measurable, quantifiable and long-term
 - The awards must be granted at market price. Any discount requires justification through performance criteria
 3. Vote against proposals that offer excessive amounts or grant stock options, performance-based equity or cash compensation or retirement to non-executive directors

2. Shareholder rights

1. Vote for proposals to increase authorized capital on a case-by-case basis
2. Vote against resolutions to lower disclosure threshold for the stock ownership below 5 percent unless specific reasons exist
3. Assess amendment of quorum requirement case by case
4. Case-by-case vote on stock (scrip) dividend proposals taking into account if the proposal is in line with market standards and whether it allows for a cash option
5. Vote against all antitakeover proposals unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer
6. Vote on a case by case basis on mergers and acquisitions taking into account the following considerations:
 - Valuation: is the offer premium reasonable?
 - Market reaction: what was the market's response to the proposed deal?
 - Strategic rationale: is the deal sensible strategically? Are cost and revenue synergies achievable? Does management have a track record of successful previous acquisitions
 - Conflicts of interest: are insiders benefiting disproportionately? Were directors and officers in support of the merger influenced by any special interests?
 - Governance: will the combined company's governance profile improve or worsen?
 - Stakeholder impact: impact on stakeholders such as workforce, environment, etc.

3. Transparency of financial information

1. Vote for approval of financial statements, director reports and auditor reports unless:
 - There are concerns about the accounts presented or audit procedures used
 - The company is unresponsive to questions of shareholders with respect to specific items that should be disclosed publicly
2. Vote for the appointment of auditors and proposals authorizing the board to fix auditor fees unless:
 - The name of the proposed auditor has not been disclosed
 - There are severe concerns about the effectiveness of the auditors
 - The lead audit partner(s) have been linked to a significant auditing controversy
 - The auditor's opinion is believed to be either inaccurate or not indicative of the company's financial position
 - The lead audit partner(s) have served previously in an executive capacity or can be considered affiliated with the company
 - No explanation is presented for a change of auditor
 - Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law (with the possible exception of non-audit fees related to one-time capital structure events)
 - Audit fees are undisclosed
3. Vote for the approval of the allocation of income unless the dividend payout ratio has been repeatedly lower than 30 percent without adequate explanation or the payout ratio is excessive taking into account the company's financial position.

4. Environmental & social issues

1. Generally approve social or environmental proposals that encourage good corporate citizenship as well as improving long-term shareholder and stakeholder value. When assessing such proposals the following points are being considered:
 - Is it well-structured and reasonable?
 - Would it have a positive or negative effect on the company's short-term and long-term value?
 - Are there any material controversies, fines, penalties or litigations linked with the company's environmental or social practices?
 - Would its implementation achieve the desired objective?
 - Has the company already responded in a convincing manner to the request? What have other companies done in relation to the issue?
2. Vote for shareholder proposals requesting information on financial, physical or regulatory risks related to climate change and how the company identifies, measures and manages such risks
3. Vote for shareholder proposals demanding the reduction of GHG emissions
4. Vote for shareholder proposals requesting a report or disclosure of goals on GHG emissions from company operations and/or products
5. Vote case-by-case on proposals that request the company for its climate transition action plan and offer shareholders the opportunity to approve or disapprove of its GHG emissions reduction plan. The level of current disclosure, actual GHG emissions and link to recent fines, violations or controversy cases related to its GHG emissions are taken into account
6. Vote case-by-case on proposals that request the company to approve the company's climate transition action plan ('Say on Climate'). Factors taken into account are:
 - Alignment of company disclosure with TCFD recommendations or other standards
 - Disclosure of Scope 1,2,3 GHG emissions
 - Comprehensiveness of the company's short-, medium- and long-term targets for reducing GHG emissions in line with the Paris Agreement goals
 - Has the company sought external approval and are its targets science-based?
 - Has the company made a commitment to be 'Net Zero' by 2050?
 - Does the company commit to disclosing on the implementation of its plan in the next years?
 - Do the company's capital expenditures align with the company strategy?
 - Sector-specific decarbonization challenges
 - The company's commitment, disclosure and performance versus industry peers
7. For significant GHG emitting companies (Climate Action 100+ list) generally vote against the board chair in cases where the company is not taking the minimum steps needed to understand, measure and manage risks for the company related to climate change. Minimum requirements include appropriate GHG emissions reduction targets and disclosure of climate-related risks according to the TCFD framework:
 - Board governance measures
 - Corporate strategy
 - Risk management analysis
 - Metrics and targets

3. IMPLEMENTATION

Governance structure

Bank Nagelmackers' voting policy and its implementation fall under the responsibility of the Sustainability Committee (the 'SC'). The SC comprises the Chief Risk Officer, the Head of Asset Management and representatives of asset management specialized in sustainable investments.

The SC elaborates the voting policy for all funds managed by Bank Nagelmackers, by delegation or by designation. The policy enables the analysis of the resolutions that are put on the agenda of the AGMs of companies in which Nagelmackers' funds hold shares. It also establishes the principles that Bank Nagelmackers applies in exercising its voting rights based on industry best practices in Belgium and internationally. The voting policy is reviewed at least once a year by the SC.

Voting decisions must be taken into accordance with the voting policy approved by the SC. After interaction with ISS, its Sustainability Policy was deemed as the best fit with the principles Bank Nagelmackers desires to put forward as part of its commitment as a UN PRI signatory.

Use of proxy advisors

As our proxy advisory, ISS provides voting recommendations based upon its Sustainability Policy. Its electronic platform enables Bank Nagelmackers to be informed and assure the monitoring of general meetings organized by investee companies. The platform contains information on AGM dates and deadlines for submitting voting instructions, the relevant documents sent to shareholders such as annual financial statements and audit reports, as well as voting recommendations. While these recommendations serve as an important input, Bank Nagelmackers aims to freely express its views on certain controversial issues or maintain its liberty to engage with companies. Through a system of pre-defined alerts, the fund managers are informed of any resolutions on controversial issues or AGMs of companies with which we engage. The fund manager can then analyze the resolution or AGM agenda into more detail and can potentially vote differently from the recommendation given by ISS.

Bank Nagelmackers aims to vote 100% of AGMs. To this end, it has set up a number of power of attorney which are needed to vote in certain jurisdictions. Currently, Bank Nagelmackers has granted powers of attorney in Denmark, Norway and Sweden.

Securities lending

Bank Nagelmackers currently has not set up a securities lending program for its funds, it therefore aims in general to vote all of its equity position.

Share blocking markets

Certain markets can require proxy voting to block shares. This means that trading shares is not allowed after submitting a vote instruction for an equity position. In these cases, on a general basis Bank Nagelmackers votes 50% of the equity position. Bank Nagelmackers can still trade with the remaining 50%.

Conflict of interests

Potential conflicts of interest that can arise related to exercising our voting rights can consist of the following:

- The investee company affected by the vote is a major client of Bank Nagelmackers
- The director of an investee company is personally a major client of Bank Nagelmackers
- The director of an investee company is in some way related to Bank Nagelmackers;

Any employee who becomes aware of a potential conflict of interest must notify the SC. Bank Nagelmackers' policy on dealing with conflicts of interest can be found on the bank's website under the MiFID section. Any potential conflict of interest is examined by the SC. Taking into account a reasoned opinion from Bank Nagelmackers' compliance department, the SC decides on the final opinion on how to proceed with the voting approach.

The Voting Policy has been approved by the SC on 22/7/2022.