Engagement Activity Report

2019

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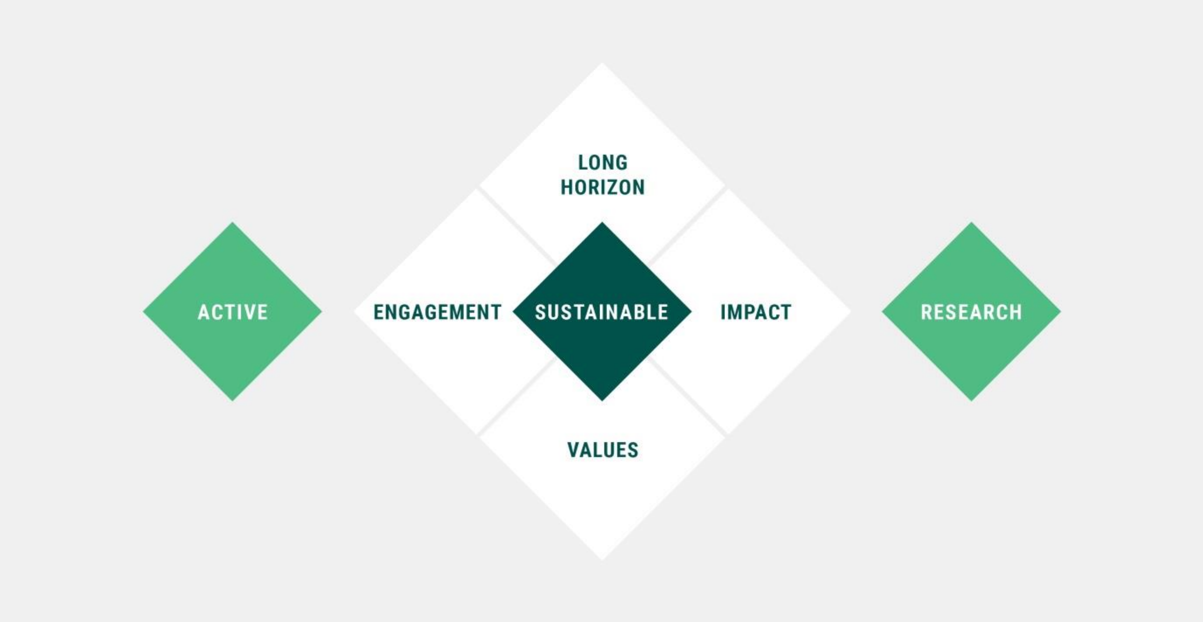
DPAM's aim: engaging to make an impact

DPAM, through its investments and its operations, its choices and strategies, creates an impact. Our aim is to make this impact as positive as possible.



Through its own regulation, DPAM aims to increase its net positive impact as much as possible.

Indeed, the **Sustainable & Responsible Investments Policy** describes DPAM's approach regarding sustainable and responsible investments and its commitment when investing in a sustainable and responsible way. As an actively sustainable asset manager, DPAM is aware of the multiple challenges faced by the planet, such as climate change, resources scarcity, social inequalities, modern slavery to name but a few. DPAM is convinced that it can have a positive contribution to the society as a whole when investing in companies and states that take such ESG challenges into account. It is DPAM's vision that each investment decision has an impact and that each ESG effort contributes to a superior well-being on the long-run for the society as a whole.

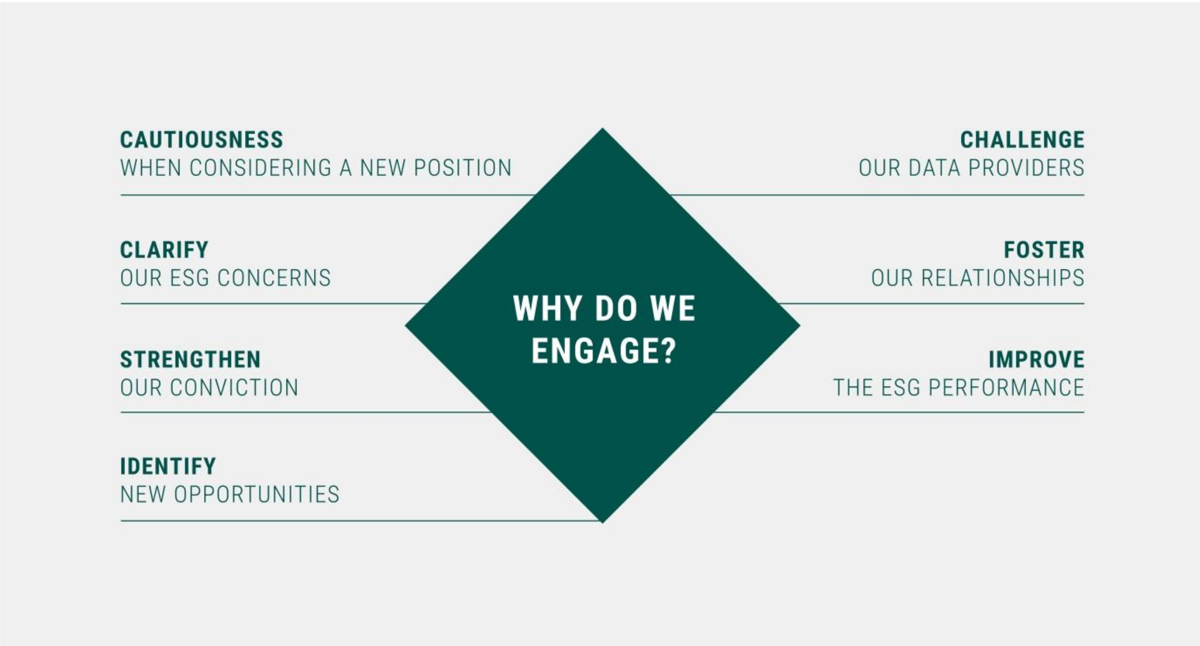
Furthermore, through its **Policy on Controversial Activities**, DPAM states its commitment regarding controversial activities and companies' behavior not to be accomplice of such activities. Indeed, DPAM has committed not to finance controversial activities such as tobacco, nuclear weapons or unconventional oil & gas. Please refer to the policy publicly available for all details.

Finally, DPAM has been engaging with several companies within the framework of its positioning (**Active, Sustainable, Research**), through collaborative and individual engagements, by launching new dedicated thematic strategies, by disseminating information and sharing expertise and knowledge, etc. These initiatives aim at increasing the **net positive impact our company wants to have achieve**.

There are mainly three objectives pursued by DPAM when engaging with companies, rating agencies and other stakeholders:

1. Improve the quality of the fundamental research for better-informed investment decisions and sustainable long-term performances
2. Reduce its negative impact. As all investments have an impact, which may be positive or negative. It is also important to raise the relevant questions about the potential harmfulness of the investments and to engage with investees
3. Defend values and convictions which are key for the company, in all the areas concerned.

1. Engagement for a better understanding of the sustainable profile of companies



As an asset manager, the priority of our engagement is making better investment decisions by clarifying ESG concerns, strengthening convictions, identifying new opportunities, etc. The engaged dialogue on specific ESG questions helps to make better informed investment decisions, based on better understanding of the global sustainable picture. The aim is investing for sustainable performances, as DPAM is a long-term investor. It is therefore better to get the highest level of information on a company to identify opportunities and avoid bad surprise which would force DPAM to sell. Furthermore, it could be more efficient and effective to firstly discuss concerns and expectations with investees (for mutual learning) than directly divesting.

More than 20 buy-side equity and credit analysts are continuing their efforts to apply environmental, social and governance factors upstream in the investment process, supported by the Responsible Investment specialists. Throughout their numerous meetings (1750 meetings) with companies' management teams, they encourage them to report on their efforts to incorporate the ESG challenges into their strategies and to adopt the best practices within their industry. Following DPAM's sustainable and responsible philosophy we do not only invest in the best ESG profiles. On the contrary, DPAM encourages and promotes best practices among issuers with more moderate ESG scores but which demonstrate a genuine willingness to improve. The aim is always to encourage efforts in the ESG area.

The engagement can be through specific engaged dialogues based on materiality issues as identified in our proprietary assessments (e.g. scorecards, controversy assessments, etc.). The table further in this report lists the names of companies which we have engaged to improve our fundamental understanding of their ESG profiles like Nike, Lerøy Seafood Group ASA or some pharmaceutical companies.

2. Engagement for reducing the harmful effects of our impact

The "do not harm" principle has emerged from several regulatory frameworks in terms of sustainable investments in Europe (for example, the Article 173 of the French law on a low carbon transition). Aligned with this principle, DPAM is committed to identify any controversy an invested issuer could face and to engage with the issuer to improve the situation.

The Responsible Investment Steering Group (RISG) is the "guardian" of DPAM's mission to invest responsibly and align its investments with its commitments. Reviewing the severe controversies companies could enable DPAM to engage and/or divest to reduce its total negative impact. The RISG reviews systematically companies exposed to severe controversies, sector by sector, to proactively defend sustainable and responsible investments.

Over the year, the following sectors were reviewed:

Sector	***Company***	***Decision***	***Remark***
Software and services	Visa, Mastercard, Alphabet	Eligible	
Chemicals	Dow, Dupont, Chr. Hanssen	Eligible	Warning on Dupont due to the material risk related to the soil and groundwater pollution controversy in the USA.

	Corteva, BASF	Ineligible	Due to glyphosate and neonicotinoids exposure

Sector	***Company***	***Decision***	***Remark***
Pharmaceutical	J&J, Novartis	Ineligible	Controversy severity 5
	Eli Lily, Abbvie, Astra Zeneca and Sanofi	Eligible	With engagement for higher independency in board and governance, for corruption concern and for better tax transparency
	Roche, Merck & Co, GSK, Merck KGaA, & Shire	Eligible	
Telecom	Orange & AT&T	Eligible	Engagement on corporate governance issues was carried out through the AGM of both companies

The collaborative engagements aims also at reducing the negative impact of certain issuers. The engagement can be through collaborative initiatives (such as Climate Action 100+ to engage with several companies within various sectors in transition, such as HeidelbergCement) or specific engaged dialogues based on the in-depth analysis done on controversies and other weaknesses identified on ESG profile.

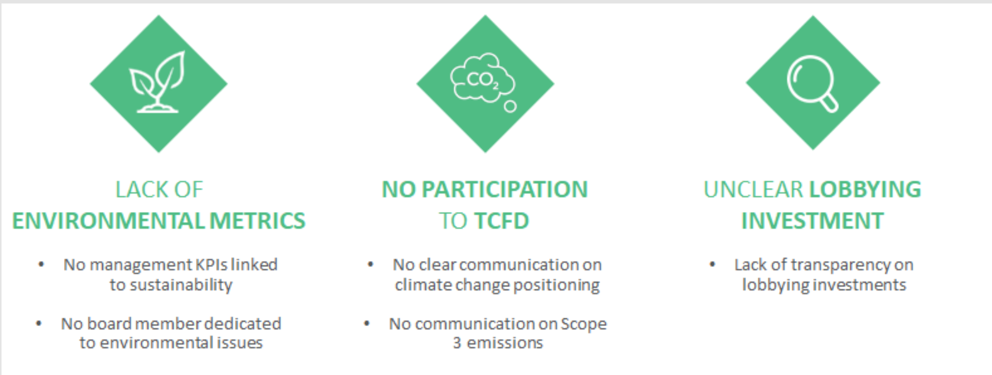
Case Study: Caterpillar – divestment following disappointing collaborative engagement

Being involved in mining and construction, Caterpillar is exposed to ESG risks to which DPAM has been attentive. In July 2019, DPAM joined the collaborative engagement initiative Climate Action 100+ initiated in 2018.

The engagement expectations referred to:

- Governance (Board level oversight of Climate Change, executive compensation linked to sustainability, in particular environmental performance)
- Disclosure (lobbying and TCFD aligned reporting)
- Reduction efforts (clear low carbon transition plan, incl. risk and opportunities)

Nevertheless, the evolution of the engagement and the lack of positive indicators from the company regarding progress and/or further commitment on these key issues were disappointing. DPAM divested from Caterpillar in January 2020 for mainly three reasons:



3. Engagement to defend our values and convictions

DPAM values in terms of corporate governance

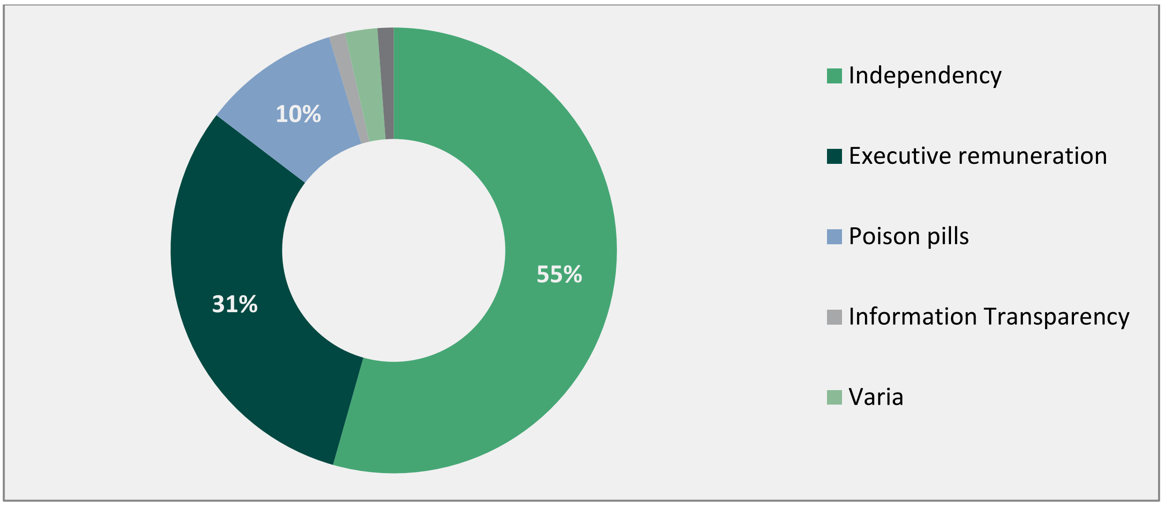
The Voting Policy, adopted since 2013, is articulated around four pillars, which reflect the corporate governance principles that DPAM wishes listed companies to apply, namely: protection of shareholders (1), sound corporate governance and composition of the board of directors (2), transparency and integrity of financial information (3) and ESG responsibility (4).

Since 2014, DPAM has conducted engagement autonomously by contacting organizations via letters to company executives, for the purpose of increasing its impact on investees' corporate governance, beyond proxy voting instructions. The topics of engagement have been defined within the Voting Advisory Board (transparency of information, independence of the board of directors, anti-takeover defenses, multiple voting rights and transparency of the executive function remuneration report). The objectives of the engagement have also been clearly defined i.e. these letters have three major objectives. Firstly, they aim to inform companies about our approach and make them aware of the principles that we defend. Secondly, they aim to show that applying sound governance practices can reduce the risk of a company becoming dysfunctional and may improve its performance. Finally, it is also an occasion to highlight social, environmental and governance challenges as well as the added value of sustainable development.

In 2019, DPAM doubled its efforts in terms of pro-active dialogue with listed companies regarding their shareholders meeting. 171 letters were sent to European and US companies regarding their lack of independency in the Board of Directors, their attempt to adopt anti OPA mechanisms or the lack of transparency of their executive remuneration.

The independence of the boards of directors dominated the subjects of engagement, followed by the question of executive remuneration.

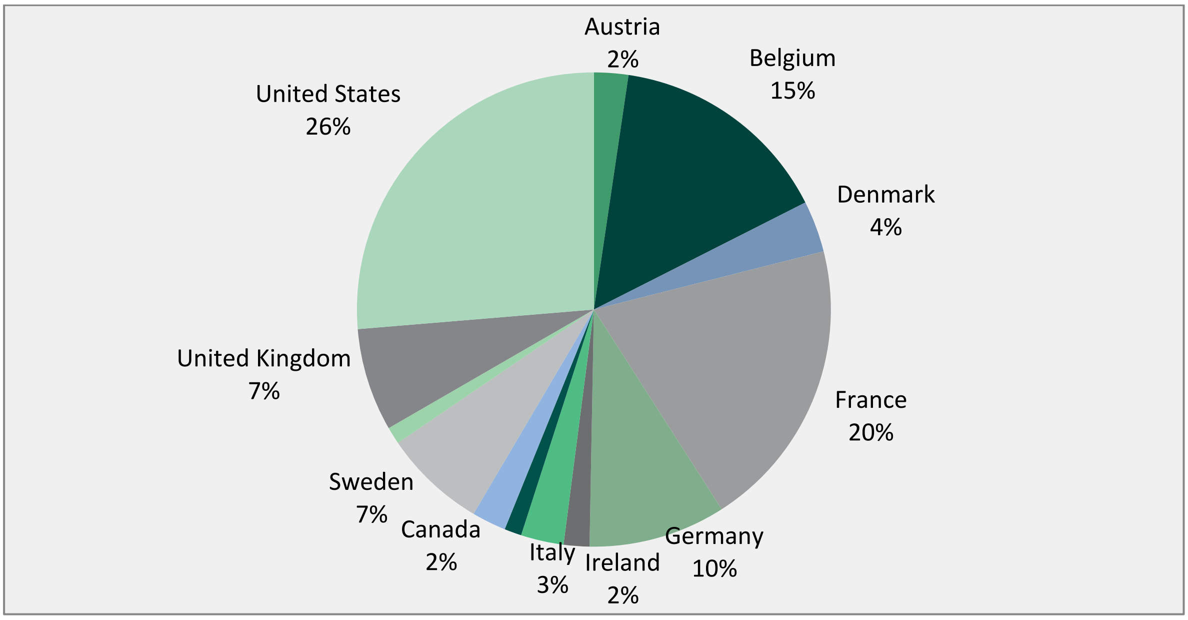
Thematic breakdown of dialogues undertaken with companies



Source: DPAM - 31/12/2019

The geographical distribution of the dialogues we are engaging may also be interesting since it shows a concentration on France and the United States.

Geographic breakdown of dialogues undertaken with companies



Source: DPAM - 31/12/2019

Several letters were followed by companies' reactions and conference calls were organized with these companies for a mutual learning and engagement on progress and efforts to deliver.

DPAM has engaged on those corporate governance issues since 2014. Over the last two years, this continuous dialogue has started to show its impact. Firstly, companies are increasingly paying attention to potential negative vote from their shareholders and they consult therefore more and more shareholders and proxy advisors beforehand. This could be perceived notably in a decreasing percentage of voting instructions DPAM sent against management's recommendations (from 11.84% in 2018 to 10.06% in 2019 in total of all voted proposals). Secondly, as a result, they are also more and more reactive to the engagement letters we send and welcome the recommendations and mutual learning they can build with us. DPAM had four meetings with companies to exchange on best practices in terms of governance as a result of its engagement letters. This does not include all reactions received by email acknowledging the recommendations in the letter.

DPAM values in terms of environment and climate change

Climate change is at the heart of the debates, commitments and regulatory actions. As such, DPAM is bound to consider this as a key topic for engagement.

Firstly, the engagement needs to focus on the inevitable risks associated with climate change (coherent with DPAM's Active & Research position). This can be through public commitments and collaborative actions. As example, DPAM has been supporter of TCFD recommendations since 2018 and signed the Carbon Disclosure Project this year.

Several efforts were done in 2019 to implement the TCFD recommendations in close cooperation with the analysts and the portfolio managers. We invite you to read DPAM first climate report (available here) to have a good overview of actions DPAM has been taking to defend climate.

Secondly, the engagement will support DPAM to be an active actor in the transition to a low carbon economy. Again this can be through different channels such as collaborative and individual engagements, commitments or investment restrictions.

Case Study: Saint Gobain – Commitment to net zero carbon emissions by 2050

DPAM has joined the collaborative engagement in June 2019. The expectations from companies in the construction materials sector, stated in July 2019 referred to:

- "Implement a strong governance framework which clearly articulates the board's accountability and oversight of climate change risk and opportunities;
- Take action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement's goal of limiting the increase in global average temperatures to well below 2°C above pre-industrial levels, and pursuing efforts to limit he temperature increase to 1.5° C above pre-industrial levels;
- Provide enhanced corporate disclosure in line with the final recommendations of the TCFD"*

The engagement with Saint-Gobain is promising as it has already demonstrated positive and constructive indicators notably science-based reduction target, signed on as a supporter of the TCFD and commitment to net zero by 2050.

* Investor Expectations of Companies in the Construction Materials Sector, July 2019, IIGCC

Following our signatory to the Investor Statement on Deforestation and forest fires in the Amazon, we reduced substantially our exposure in Brazilian sovereign debt and we divested from three companies, which were involved in deforestation in the Amazon. DPAM wants to be consistent with its commitment. Signing this investor statement must be consistent with our investments.

Our nine active sustainable strategies are compliant with the requirements of the Belgian label from the financial sector "Towards Sustainability" [1], which is considered as one of the most severe in terms of fossil fuels, electricity generation and (un)conventional oil & gas.

The collaborative initiative FAIRR aims to decrease the environmental impact of the food value chain by encouraging the use of sustainable proteins within food products. DPAM joined this initiative given its involvement in agro-food related companies and shared the insights with the initiative. Furthermore, DPAM actively contributes to their research by providing expert insights from our analysts, portfolio managers and RI specialists.

Finally, the controversial activities policy sets our standards in terms of environmental accountability. The way DPAM invests matters.

Thirdly, the engagement is aligned with our feature to be innovative and pioneer and should focus on the opportunity side as well (***Today's challenges are tomorrow's opportunities***).

[1] Belgian Quality Standard and Label for sustainable and socially responsible financial products (https://www.towardssustainability.be/).

This opportunity and our positive impact are assessed in our sustainable strategies by mapping when relevant our investments with the Sustainable Development Goals.

Furthermore, our entire proprietary research model includes systematically an important point to the positive impact of the products and services of the company under scrutiny.

Finally, by launching a dedicated strategy to climate change, DPAM has demonstrated its willingness to contribute to solutions to climate. Next to its responsibility to finance the transition to a low carbon economy and therefore investing in the best practices in the transition sectors, DPAM supports the innovative companies which offer solutions and alternatives to climate change (climate enablers) and the innovative financial instruments such as the green bonds as well.

DPAM values in terms of social and human rights

Firstly through its first commitment toward sustainable and responsible investments namely defending the fundamental rights and in particular human and labour rights, DPAM sets the tone regarding social and human values.

For DPAM's sustainable credit and equity strategies, this is assessed via compliance with UN Global Compact principles and hence non-compliant companies are excluded from the investment universe.

For DPAM's sustainable sovereign bonds investments, non-democratic countries are ineligible for investment. Transparency and democratic values are in the heart of the proprietary model assessing country sustainability.

The controversial activities policy, which states the choices DPAM arbitrates as responsible actor, also clearly includes social and human rights (eg. unconventional armament, nuclear weapons, tobacco, alcohol, agricultural commodities).

Secondly, when analyzing the impact of our investments and helping to reduce the negative effects – notably through ESG in-depth analysis – social issues are regularly in the heart of the discussions and debates. This is organized through collaborative and individual engagements, commitments and/or investments restrictions.

In 2018 DPAM joined the collaborative initiative of Responsible Sourcing of Cobalt and actively participated in several dialogues during 2019.

The Cobalt initiative is the PRI-supported engagement regarding responsible cobalt sourcing practices in line with the OECD Due Diligence Guidance. As a reminder, the OECD Due Diligence Guidance mainly comes down to three pillars:

(1) Have a clear responsible sourcing policy in place that specifically includes cobalt (not only the classic conflict materials) – senior oversight, accountability mechanisms and systems to measure the effectiveness of the policy along with an explicit timeline for implementation.

(2) Identify smelters or refiners in the supply chain and assess whether they conduct due diligence in compliance with international standards – should this not be the case, downstream companies must use leverage to pressure suppliers into taking the necessary steps.

- Has the company mapped its supply chain at least down to the smelter level and ideally down to mine level? Has the company identified the cobalt smelters in its supply chain and does it disclose this list?
- Does the company know what proportion of its indirect cobalt supply is (a) of DRC origin and (b) artisanal sourced from the DRC?
- Where does this info come from? Any verification?

(3) Report at least annually on targets and progress in reaching them as well as reporting on both the socioeconomic (and expected) outcomes of actions by the company.

As mentioned earlier, climate change-related issues are in everyone's' mind, and are extensively covered in media and regulations. There are however several social and human issues interconnected with climate change. Mass migration due to climate change might also increase the risk of modern de-facto slavery as climate migrants are desperately seeking for a source of income. Moreover, the transitioning to a low carbon economy also requires the creation of large amount of decent jobs for a 'just/social transition' to occur. Modern slavery and a just transition are important topics for current and future engagement.

Regarding individual engagement initiatives, this can be done in two ways: either by an official letter/email sent directly to the management followed by a call or a meeting, or directly by way of a conference call or an in-person meeting. Quarterly calls/meetings can be set up. The efforts are pursued by portfolio managers and analysts during road-shows and other one-to-one meetings.

Case Study: Leroy Seafood – Food safety and animal welfare

Leroy Seafood is a Norwegian company involved in the global distribution, sale, and marketing of (processed) seafood.
Involved in fish farming, animal welfare and food safety are key social concerns for the company. Even if the company has not been involved in any controversy regarding these two key issues, it is important to ensure all policies and programs are in place to prevent any risks.
In October 2019, DPAM has engaged with the company to get a clear commitment and strategy regarding these two topics i.e.

- Improved disclosure of metrics and management decisions regarding animal wellbeing practices, indicating a list of requirements we would like to have more insight on.
- Impact assessment of the on-going and continuously stricter food and feed safety regulations on their business activities.

Following the engagement and notably the awareness raising regarding the importance of ESG factors and tools like the FAIRR index, the company has set up/committed to:

- Announced improved disclosure regarding animal wellbeing (leading role in an industry disclosure project with focus on animal welfare)
- Clarified that food and feed safety is well integrated in its risk management and operations
- Pro-actively managed the potential impact of regulation on the current and future business.

As a result, the engagement strengthened our conviction on Leroy Seafood as an ESG leader.

Thirdly, the engagement is aligned with DPAM's feature to be innovative and pioneer. (***Today's challenges are tomorrow's opportunities***). We commit to clearly identify the positive impact of our sustainable strategies notably by referring to the Sustainable Development Goals. Furthermore, when considering new investment opportunities, the positive impact contribution is systematically estimated in our proprietary research models.

Finally, DPAM aims to increase its impact for more sustainable finances and as a responsible investor by engaging in education. Organizing dedicated annual conferences on sustainable topics, inviting experts in committees but also in quarterly meetings with its investment professionals and sharing its knowledge and expertise through blogs and dedicated digital platform, DPAM increases knowledge about sustainable investments and reduces prejudices sustainable investments might suffer from.

DPAM values in terms of governance

Governance is broader than corporate governance. Several themes can be mentioned here as political lobbying, business ethics, tax fairness/avoidance, bribery and corruption, etc.

Tax fairness and avoidance (closely interconnected with competition law) is a priority topic for portfolio management and research teams due to its high materiality.

The engagement can be through specific engaged dialogues based on materiality issues as identified in our proprietary assessments (e.g. scorecards, controversy assessments, etc.). The table further in this report lists the names of companies which we have engaged to promote our convictions regarding governance like DSM or Nike.

OVERVIEW OF THE IMPACT INITIATIVES

	Environment	Social	Governance
Innovative offering	DPAM L Bonds Climate Trends Sustainable Labeled strategies (Towards Sustainability + Febelfin)		
Impact at the core of our investment process	DPAM proprietary ESG thematic scorecards (i.e. DPAM's Qualitative Sustainability approach) effectively integrates Sustainable impact analysis, accounting for 25% of companies ESG scores		
Impact reporting of DPAM Sustainable strategies	The Quarterly Sustainability reporting of all DPAM Sustainable strategies includes a full impact mapping based on the 17 U.N. Sustainable Development Goals		

	Environment	Social	Governance
Research – dialogues with companies	TCFD assessments Examples of individual engagements: *Mosaic & Yara (tailings dam safety), AAK (palm oil), Yara (climate disclosure and strategy), Solvay (climate strategy)*	Examples of individual engagements: *Leroy Seafood (animal welfare and food safety), Reckitt Benckiser (product governance), Nike (supply chain management), EDP (safety of operations)*	Tax policy Examples of individual engagements: *Nike (corporate governance, taxation, business ethics)*
	Controversy assessments with concrete follow-up actions (e.g. Nike, pharma)		
			Examples of individual engagements: *ADO Properties* (critical Corporate Governance issues, lead to divestment), *Globalworth*, *Warehouse REIT*, *Urban Logistics REIT* (encourages the companies to move from the AIM market to the main market, which entails that they significantly upgrade their corporate governance, notably with respect to transparency and the protection of minority shareholders rights); *Argan* (improved transparency), and *Eurocommercial* (respect for the one share one vote principle, the company has aligned itself).

	Environment	Social	Governance
	Engagement encouraging companies to improve their ESG disclosure, on all three pillars (E, S & G) within the Real-Estate sector: Globalworth, CPI Property Group (+ a specific focus on Buildings Green certification & Corporate Governance/Board independence), Aroundtown, Grand City Properties (special focus on more disclosure and corporate governance), Merlin Properties		
Collaborative engagement	Climate Action 100+ (*HeidelbergCement, CRH, St Gobain, Nestlé, Caterpillar, Air Liquide*) FAIRR Investor Statement on Amazon Investor Statement on Climate Lobbying Investor Expectations for the Construction Materials Industry	Responsible Sourcing of Cobalt (*TDK, Microsoft, Samsung, Sony, Johnson Matthey*)	Investor Statement on Corporate Accountability for Digital Rights
Proxy voting	Systematic support to Shareholders Resolutions related to environment	Large support to Shareholders Resolutions related to social; mainly related to human rights	Regular support to Shareholders Resolutions supporting and protecting monitory shareholders' rights, Fair remuneration practices, and transparency

	Environment	Social	Governance
Conferences	3rd annual Sustainability Seminar 2019 “Climate change: Enabling transformation at the core” RI Corners: Thoughts on renewable energy and its place in the future energy mix – a practitioner’s point of view – LTR energy	RI Corners: International rights from the perspective of countries	RI Corners: Data Privacy Risks and Opportunities in the Fourth Industrial Revolution Tax & competition (TBP)

Disclaimer

This document is intended to provide an overview of DPAM's voting policy and guidelines. It is not intended to be exhaustive and does not address all potential voting issues.

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