



KBC Asset Management

Proxy Voting and Engagement Policy

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1. Introduction

KBC Group is the largest bancassurer in Belgium and its companies occupy a leading position on its core markets in Central and Eastern Europe. KBC Asset Management Group consists of KBC Asset Management NV (Belgium) (“KBC AM NV”), KBC Asset Management SA (Luxembourg) (“KBC AM SA”), KBC Fund Management Ltd (Ireland) (“KBC FM Ltd”), ČSOB Asset Management, a.s., investiční společnost (Czech Republic) (“CSOB AM”) and K&H Alapkezelő Zrt. (Hungary) (“K&H FM”) (together “KBC AM”; individually “KBC AM company” or “KBC AM companies” as the case may be). The current Proxy Voting & Engagement Policy applies to all entities that belong to KBC Asset Management Group. However, the application of the Proxy Voting & Engagement Policy by UBB Asset Management AD (Bulgaria) will be decided at a later stage.

Sustainability is not part of a separate strategy, but is instead integrated into the overall corporate strategy of KBC Group and our day-to-day business activities. Sustainability to KBC Group as a bank-insurer means that we are able to respond to the expectations of all involved stakeholders, not only today but also going forward.

Through managing collective investment schemes, 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 we invest in (“investee company”). This can have a significant impact on the value creation of the companies and indirectly on the returns of our funds.

Social norms and legislation are moving towards more shareholder engagement. Thus, the European Union in 2017 has amended Directive 2007/36/EC (“Directive”) 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 and the EFAMA Stewardship Code at the level of KBC AM Group.

From this perspective, KBC AM (1) monitors the companies in which both ‘UCITS’ (Undertakings for Collective Investment in Transferable Securities) and ‘AIFs’ (Alternative Investment Funds) (UCITS and AIFs hereafter collectively referred to as “Fund” or “Funds” as the case may be) it manages, 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 clients/investors of the Funds. In order to obtain these results, KBC AM has created different initiatives, which are described in this document.

These initiatives include:

- Monitoring of companies
- Dialogue with companies
- Proxy Voting
- Active engagement
- Cooperation with other shareholders.

KBC AM has established the KBC AM Proxy Voting and Engagement Committee that oversees and coordinates the initiatives and ensures consistency between the different initiatives.

Chapter 4.B describes the internal rules of the Proxy Voting and Engagement Committee in case of proxy voting. These rules apply mutatis mutandis when the Proxy Voting and Engagement Committee takes a decision related to the other initiatives, e.g. in the framework of active engagement.

At least once a year, and whenever the Proxy Voting and Engagement Committee or one or more of the KBC AM companies request it, the Proxy Voting & Engagement Policy will be reviewed and possibly amended. Such proposed amendments are submitted by the Proxy Voting and Engagement Committee to the KBC AM NV Executive Committee for approval. Amendments are subsequently subject to ratification by each other KBC AM company.

2. Monitoring of companies

KBC AM has a team of analysts who are specialised in a sector, or subsector. In total, the team closely covers a universe of approximately 2000 companies. This is a dynamic set of names, selected on the basis of current holdings and market conditions.

The task of an analyst includes both financial and sustainability screening. The financial screening may include the analysis of the investees' strategy, financial performance, non-financial performance, risks and capital structure. The sustainability screening may include the analysis of social impact, environmental impact and corporate governance. To cover the companies on a daily basis, the analyst can utilize input provided by different external data providers. For the financial information, analysts have access to the data from Bloomberg and Datastream. In addition, through cooperation with many sell-side brokerage houses, the analysts stay on top of developments pertaining in their sector and the companies they cover. In order to know what is happening in terms of sustainability, the team has access to the online platform of Sustainalytics, which is the leading independent global provider of ESG and corporate governance research. Finally, the analysts have access to the portal of Institutional Shareholder Services (ISS), the world's leading provider of corporate governance and responsible investment solutions.

3. Dialogue with companies

KBC AM interacts with investee companies on an ongoing basis. 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.

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.

4. Proxy Voting

As the execution of voting rights is an integral part of a well-functioning corporate governance system, KBC AM takes its responsibility by exercising the voting rights of shares held in all Funds managed by KBC AM. By exercising these rights, KBC AM defends the interests of the investors in the Funds in an independent and consistent manner.

To exercise these rights and ensure consistent voting, KBC AM has established the KBC AM Proxy Voting and Engagement Policy. The policy outlines the general principles in assessing the resolutions of a general meeting of an investee company. The Proxy Voting and Engagement Policy is divided thematically in separate articles, each covering a broad theme of potential proposals. For each of them, the Proxy Voting and Engagement Policy:

- defines a default voting action for the proposal; or
- defines multiple voting actions for the proposal, based on clearly defined and unambiguous conditions; or
- determines that the voting action must be decided on a CASE-BY-CASE basis, and clarifies the conditions which are to be taken into account.

All companies in which the Funds managed by KBC AM have the voting rights amounting to at least 0.8% of the specific general meeting are in scope. In addition, all companies in the BEL 20-index invested in by Funds and all companies invested in by KBC ECO Impact Investing Fund are also in scope. These voting rights result from the ownership of equity.

During the entire proxy voting process, there will be no communication regarding the voting recommendations to (1) the company under analysis or (2) third parties.

The process of proxy voting consists of the following steps:

A) Financial analysts assess the resolutions on general meetings

The proxy voting process is instigated by the financial analysts, who perform the follow-up of the agenda of general meetings of companies in scope.

While assessing the proposals on the agenda of the general meeting, the covering analyst can utilize input provided by proxy advisors. This input includes financial company data, corporate governance related data such as management profiles, benchmarking the company on corporate governance metrics, clarification of legal issues and outcomes of previous general meetings. Proxy advisors can also be asked to give input on how the agenda of a meeting compares to the Proxy Voting and Engagement Policy. The analyst is responsible for the analysis of both the input collected by the analyst as well as the input provided by the proxy advisor. The results of the analyst's assessment and the voting recommendation drafted for the KBC AM Proxy Voting & Engagement Committee ("PVEC") are not communicated to the proxy advisor. Also, proxy advisors are never involved in the voting process itself.

Unless the financial analyst and the head of investment research jointly conclude that the agenda of a particular general meeting does not include any proposal that has or could have an impact on the interests of clients/investors of the Funds concerned, the financial analysts collect the necessary data to make an in-depth assessment. The sources used include, but are not limited to, material provided by the company, public sources and third party reports (e.g. company reports from ISS). The analyst can also engage with the company directly for additional clarification.

The financial analyst drafts a voting recommendation for the Proxy Voting and Engagement Committee, consisting of a separate recommended voting action on each proposal of the agenda.

When a proposal is covered by the KBC AM Proxy Voting and Engagement Policy, the analyst will clearly refer to the relevant article and paragraph in the assessment. If the Proxy Voting and Engagement Policy defines a default voting action, the analyst notes the action in his recommendation. If the Proxy Voting and Engagement Policy defines multiple voting actions for the proposal, based on clearly defined and unambiguous conditions, the analyst declares which of the voting actions is relevant based on the conditions.

In both circumstances the analyst can recommend a different voting action than stipulated in the Proxy Voting and Engagement Policy, provided this is clearly indicated in the recommendation and duly motivated.

If the Proxy Voting and Engagement Policy determines that the resolution must be judged on a CASE-BY-CASE basis, the analyst recommends a voting action, and duly motivates this according to the guidelines.

If the proposal is not described in the Proxy Voting and Engagement Policy, the analyst clearly notes this, and recommends a duly motivated voting action.

Upon completion, the assessment of the financial analyst will be sent to the Proxy Voting and Engagement Committee.

B) The Proxy Voting and Engagement Committee

The KBC AM Proxy Voting & Engagement Committee consists of eight (8) permanent members. The Chairman of the PVEC is a member of the Executive Committee of KBC AM NV (“the Chairman of the PVEC”). Two (2) members participate in the PVEC based on their function: the head of Equity and Balanced Portfolios of KBC AM NV and the head of Investment Research of KBC AM NV. Furthermore, there are two (2) members that are external experts, at least one of which is independent. Their knowledge and experience help the PVEC fulfil its role.

The Chairman of the PVEC and the external experts are appointed by the Executive Committee of KBC AM NV.

KBC AM SA, ČSOB AM and K&H FM each have 1 representative in the PVEC.

It is noted that KBC FM Ltd is not represented in the PVEC taking into account that in case of sub-management of funds, the responsibility for proxy voting is retained by the designated management company and thus not delegated to the investment manager.

The composition of the PVEC is thus as follows (“the Table”):

- Chairman of the PVEC (member of the KBC AM NV Executive Committee);
- Head of Equity and Balanced Portfolios of KBC AM NV;
- Head of Investment Research of KBC AM NV;
- 2 external experts, at least one of which is independent;
- KBC AM SA representative;
- CSOB AM representative;
- K&H FM representative.

Any member of the PVEC, except for the external members, may delegate his attendance for one or more meetings to another employee of KBC AM with sufficient expertise and experience in the matter.

Depending on the items on the agenda, ad hoc invitees will be invited to participate in a particular meeting.

In order for any meeting to take valid decisions, all members (or their replacement) must be present at the meeting.

Although the Compliance Officer of KBC AM NV or his deputy and the designated legal advisor of KBC AM NV are not members of the PVEC, they are both required to assess whether the voting recommendations and other items on the agenda of a PVEC meeting meet the necessary and/or relevant conditions from a compliance or legal point of view respectively. The Compliance Officer of KBC AM NV and the designated legal advisor of KBC AM NV will consult with the Compliance Officer and a legal advisor of the relevant other KBC AM company in case of funds for which that other KBC AM company is the designated management company.

The appointment as a member of the PVEC and/or any attendance to a committee meeting or other related process implies the acceptance of:

- For internal members: the Code of Conduct of the relevant KBC AM company;
- For external members: confidentiality declaration with respect to all discussion material and decisions of the PVEC;
- For all members: regulations with regard to personal transactions in financial instruments.

C) Voting recommendation by the Proxy Voting and Engagement Committee

The Proxy Voting and Engagement Committee reviews the assessment of the financial analyst and draws up a voting recommendation on each resolution on the agenda of the general meeting of the investee company.

The PVEC aims for a decision on a voting recommendation by consensus. If no consensus is reached the PVEC will take a decision by a simple majority vote of the PVEC members. In the event of a tied vote, the Chairman of the PVEC or, if the Chairman of the PVEC is obliged to abstain, the head of investment research will have the casting vote.

The PVEC may at all times take a decision on a voting recommendation by way of circular decision. Such circular decision is deemed accepted if at least 4 members of the PVEC approve the decision.

The decisions of the PVEC on voting recommendations are executed upon the nihil obstat by 2 members of the Executive Committee of KBC AM NV, one of which may be the Chairman of the PVEC.

The department of Investment Research of KBC AM NV will subsequently be responsible for implementing the decision on a voting recommendation.

Annually the Investment Research department of KBC AM NV reports to the PVEC on the proxy voting actions taken during the year. Subsequently, the PVEC will report the findings of this annual review to the Executive Committee of KBC AM NV, along with - if applicable - a proposal for an updated version of the Proxy Voting and Engagement Policy which aims to further improve the approach to proxy voting and cover a wider range of meeting resolutions. Such proposed amendments are submitted to the KBC AM NV Executive Committee for approval. Amendments are subsequently subject to ratification by each other KBC AM company.

D) Procedure for Funds to participate in shareholder meetings of Funds

A Fund that is invested in an underlying Fund (“participating Fund”), will in principle use all its shares, which are limited to 25% of the units of a single UCITS or other collective investment undertaking, of the underlying Fund to vote at an annual or an extra-ordinary general meeting of such underlying Fund. The limitation of up to 25% has been put in place in the interest of the underlying funds to prevent a shareholder from exercising a decisive influence on the policy of the underlying fund. In this regard the 25% aims to have fair representation at shareholder meetings between direct investors and Fund-of-Fund investors.

During a period before shareholder meetings, participating shares in the voting process at the shareholder meetings are blocked for trading. Fund-of-Funds participating with the full participation, would not be able to respond to changing market circumstances due to the blocked shares.

The procedure is as follows:

- Step 1: the legal department of the KBC AM company that is the designated management company of the participating Fund informs its portfolio management department of the upcoming annual or extra-ordinary shareholder meeting;
- Step 2: the portfolio management department advises on the percentage of the shares that may not be used to vote in order to guarantee sufficient “free flow”;
- Step 3: the decision on whether or not to participate at the relevant shareholder meeting (“vote for/against” or “not vote”) and on the advice of the portfolio department regarding the free flow will be taken by the Chief Investment Officer of KBC AM (“CIO”); the Chief Research & Solutions Officer of KBC AM (“CRSO”) will act as substitute of the CIO if the CIO is unable, for whatever reason, to take a decision within the required time frame;
- Step 4: the legal department blocks the shares based on the decision of the CIO (or CRSO).

5. Active engagement

KBC AM takes an active role in engaging with companies in the interests of driving long term value. The aim is to raise awareness of sustainability and to stimulate action in the event of ESG issues. The engagement process that KBC AM uses, makes the distinction between two forms of engagement. On one side KBC AM will try to improve ESG policies for small firms. On the other side, KBC AM will try to resolve ESG issues with large companies. KBC AM is convinced that this type of active dialogue will strengthen a company's insight into those issues that are important to shareholders and we believe it can add to the company's ability of long-term value creation.

Table 1. Distinction between forms of engagement

	Improve ESG policies	Resolve ESG issues
Main target	Small Companies	Large Companies

For each company KBC AM engages with, an in-depth analysis will be made with regard to the ESG scores and controversies of the company. For this analysis, the sustainability data from Sustainalytics will be used. To gain additional insights, KBC may communicate with relevant stakeholders. In a next step, KBC AM will identify the necessary improvement objectives, which will be provided to the company with whom KBC AM engages.

Contact with a company will always consist of bilateral dialogues (bi-way engagement). During a bi-way engagement, an exchange of information should take place between asset managers and the investee companies.

A) Improve ESG policies

The main scope for this type of engagement is defined as all small cap companies held in KBC ECO Fund Impact Investing. In addition, KBC AM will also engage with companies on request of the PVEC, the analysts of KBC AM or the SRI Advisory Board. KBC AM defines small cap companies as companies with a market capitalization below 3 billion EUR.

Sustainalytics will, based on the company's absolute ESG score, classify each company relative to its global industry peers. Each industry has a fixed band of scores that links to a relative position range. Companies can fall in five categories: laggards, underperformers, average performers, outperformers and leaders. The industry specific bands are based on the rating scores of approximately 4,000 companies that are assessed under the Sustainalytics comprehensive ESG Ratings framework. The bands are reviewed and updated annually.

KBC AM will engage with companies if the following conditions are met:

- Companies with low score on environment pillar
 - Underperformer
 - Laggard

- Companies with low score on social pillar
 - Underperformer
 - Laggard
- Companies with low score on governance pillar
 - Underperformer
 - Laggard

KBC AM will assess on a monthly basis whether additional engagement processes have to be started up.

In order to achieve the desired result, KBC AM defines the following goals for this type of engagement:

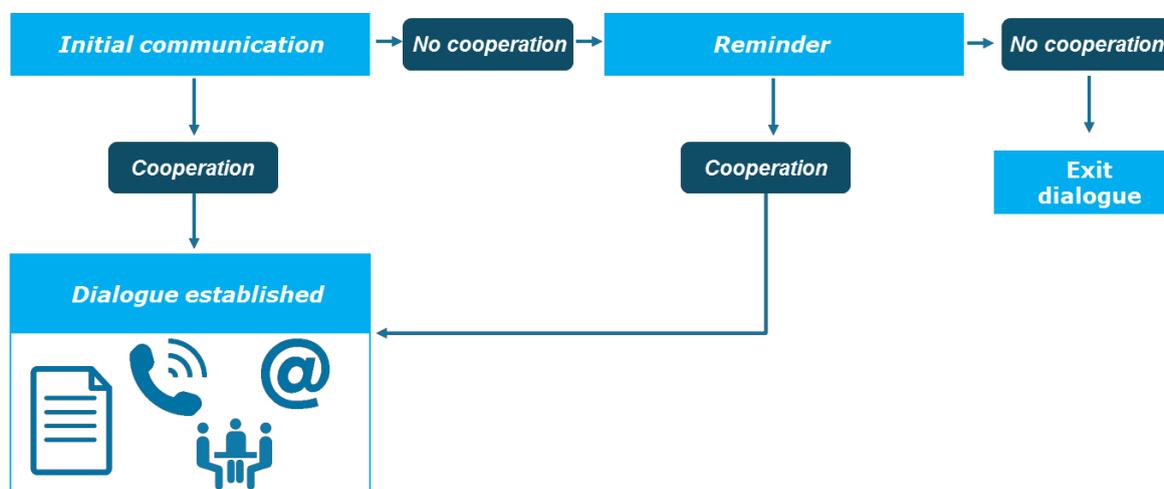
- 1) Initial communication
- 2) Dialogue established

To achieve these goals, KBC AM will start the engagement process by sending out the in-depth analysis to the companies. If the companies respond to our invitation and want to cooperate, KBC AM will enter into active dialogue with the company. This dialogue can be conducted through various means, including letters, phone calls, e-mails or meetings. The sole aim of this dialogue is to indicate how the investee company may improve their ESG policies.

If the company does not respond to our invitation, KBC AM will send out a reminder. If the company still does not (or no longer) want to cooperate or does not respond, the engagement process will stop. As our goal for this type of engagement is to help the company with developing ESG policies, no sanctions will be taken against the company. After a period of three years, or when there is a change of management, the company will again be eligible for engagement.

This process is shown in the figure below.

Figure 1. Engagement process: Improve ESG issues



B) Resolve ESG issues

The scope of this type of engagement is all companies that are part of the MSCI Europe benchmark. Currently the benchmark holds 446 companies. In addition, KBC AM will also engage with companies on request of the PVEC, the analysts of KBC AM or the SRI Advisory Board.

Each company will be analysed to check whether it is involved in one or multiple controversies. The assessment is based on the highest impact or risk score assigned to the related incidents, alongside a broader assessment of the evolution of the controversy and company preparedness and response. Sustainalytics has defined five categories:

- Category 5 – Severe: The controversy has a severe impact on the environment and society, posing serious risks to the company. This category represents the most egregious corporate behaviour.
- Category 4 – High: The controversy has a high impact on the environment and society, posing significant risks to the company. This category often reflects structural problems in the company.
- Category 3 – Significant: The controversy has a significant impact on the environment and society, posing moderate risks to the company.
- Category 2 – Moderate: The controversy has a moderate impact on the environment and society, posing minimal risks to the company.
- Category 1 – Low: The controversy has a low impact on the environment and society, posing negligible risks to the company.

KBC AM will only engage with companies if the following conditions are met:

- MSCI Europe
 - Sustainalytics controversy score 5
 - KBC AM has voting rights of the general meeting
- Companies added on request of the PVEC, analysts or SRI Advisory Board
 - Concerns about the company's business strategy and its execution, risk management, environmental and social concerns, corporate governance issues such as board composition and the election of independent directors, together with executive remuneration, compliance, culture and ethics, and performance and capital structure.
 - KBC AM has voting rights of the general meeting

KBC AM will assess on a monthly basis whether additional engagement processes have to be set up.

The goals for this type of engagement consist of:

- 1) Initial communication;
- 2) Dialogue established;
- 3) Commitment of company to address issue;
- 4) Issue resolved.

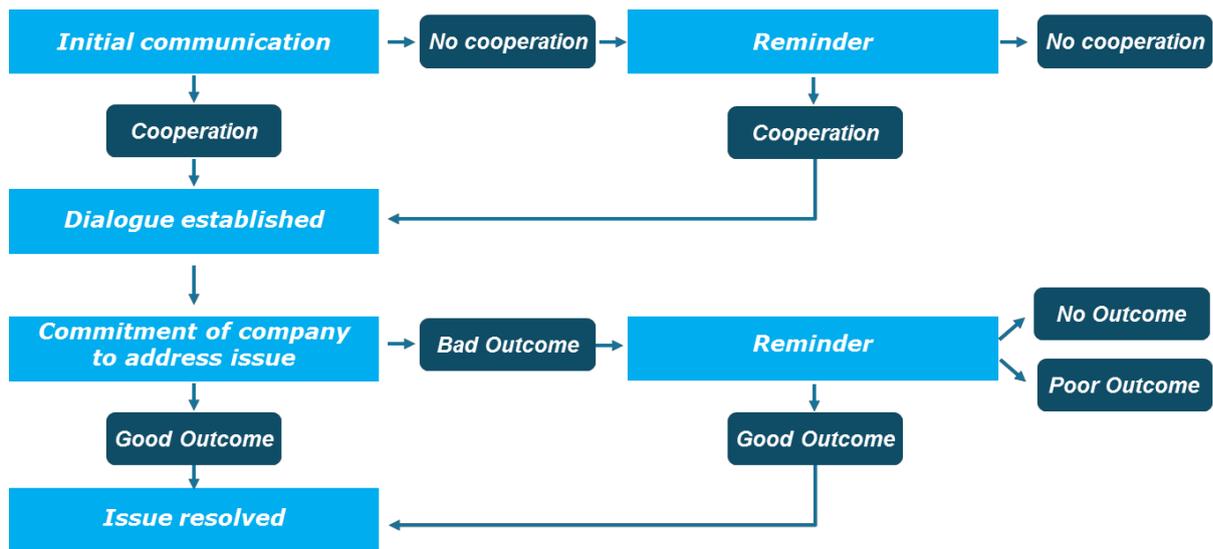
As with the other form of engagement, KBC AM will start with sending out our in-depth analysis to the companies. If the companies respond to our invitation and want to cooperate, KBC AM will enter into active dialogue with the company. This dialogue can be conducted through various means, including letters, phone calls, e-mails or meetings. The aim of this dialogue is to get a commitment of the company to address this issue and to actually resolve the issue.

The company can choose to enter into dialogue with KBC AM in order to find a suitable solution. In addition, the company can publicly address the issue and give a commitment to solve the problem. In either case, KBC AM will analyse the proposed solution and may decide to stop the engagement process.

If the company does not respond to our invitation or is not willing to cooperate, KBC AM will send out a reminder.

This process is shown in the figure below.

Figure 2. Engagement process: Resolve ESG issues



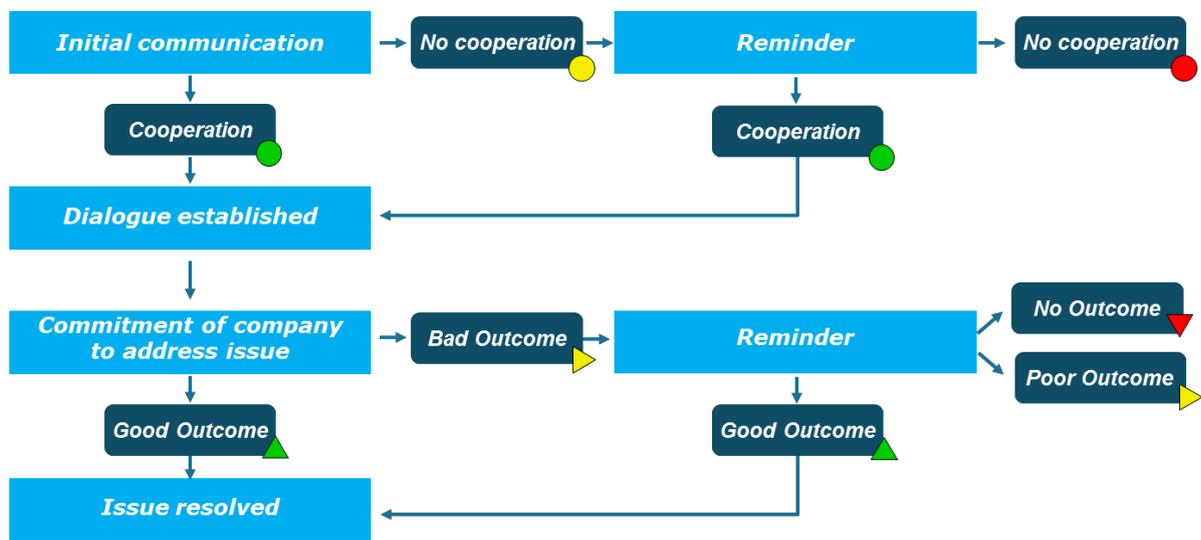
During the engagement process, KBC AM will assign a label to each company. These labels can be categorised as a ‘response label’ and ‘progress label’. The response label refers to whether the company has responded to our invitation or not, while the progress label refers to the progress the company is making to resolve the ESG issue.

Table 2. Response and progress labels

Response label	Progress Label	Status
●	▲	Good
●	▶	Poor
●	▼	None

The figure below shows which label we assign in which phase of the engagement process.

Figure 3. Engagement process: Response and progress labels



If a company is labelled as 'none' for one of the two labels, KBC AM will vote against the following resolutions at a general meeting:

- financial statements;
- re-election of CEO and other executives.

On an ad hoc basis, if the controversy is found to be very serious and after consultation with the PVEC, KBC AM may exceptionally vote against the discharge of directors and auditors, including members of the management board and/or supervisory board. This measure can be considered when there is reliable information about significant and compelling concerns that the board is not fulfilling its fiduciary duties, warranted on a CASE-BY-CASE basis, by:

- A lack of oversight or actions by board members which invoke shareholder distrust related to malfeasance or poor supervision, such as operating in private or company interest rather than in shareholder interest
- Any legal issues (e.g. civil/criminal) aiming to hold the board responsible for breach of trust in the past or related to currently alleged action yet to be confirmed (and not only in the fiscal year in question) such as bribery, fraud, and other illegal actions
- Other governance issues where shareholders can bring legal action against the company or its directors.

6. Cooperation with other shareholders

KBC AM may cooperate, on behalf of the Funds, with other investors at times when this may be the most effective manner to safeguard the best interest of the shareholders of the Funds. Each cooperation with other investors is based upon the idea that incremental benefits can be reached for the Funds compared to engaging individually. Each cooperation will at all times comply with competition laws, especially with regard to acting in concert.

7. Class actions

KBC AM companies regularly participate in class action suits where this is in the interest of the portfolios of the funds for which the relevant KBC AM company is the designated management company. These class actions take place predominantly in the United States of America. The relevant KBC AM company may take up a role as lead-plaintiff in a class action but will only do so if there is a clear indication that this is necessary for the investors' best interest. Unless otherwise explicitly mentioned in the prospectus of the relevant fund, the portfolio's involved do not bear the costs of these procedures but any possible profits resulting from a settlement or positive court ruling are fully transferred to the portfolio's involved.

8. Conflicts of interests and insider information

Conflicts of interest may exist or arise within asset management companies. Each KBC AM company has adopted its "Conflicts of Interest Policy" in order to identify, manage and monitor such potential and actual conflicts of interest.

In principle, the interests of the Funds under management converge with regard to the exercise of voting rights. The aggregation of voting rights - i.e. the fact that all companies in which the Funds managed by KBC AM together have voting rights that amount to at least 0.8% of the specific general meeting are in scope - works to the advantage of each managed Fund taken separately. It is important to concentrate efforts on these general meetings where the aggregated votes may have a material impact on the outcome. Therefore, a minimum threshold of 0.8% of all voting rights is applied.

Should a potential or actual conflict of interest arise between positions in one managed Fund, between two managed Funds or between KBC AM companies - and by extension, other KBC Group companies - and a client/investor of a Fund, the PVEC will submit a proposal to a member of the Executive Committee (except for the Chairman of the PVEC) and the Compliance Officer of the KBC AM company/companies that is/are the designated management company. The member of the Executive Committee and the Compliance Officer decide in mutual consent on the proposal unless the proposal consists in not exercising the voting rights in which case the submission is only for information and not for decision. If the decision of the member of the Executive Committee and the Compliance Officer is negative, the PVEC shall formulate another proposal.

If a member of the Executive Committee of KBC AM NV, a member of the PVEC or a KBC AM employee who at any stage is involved in the provision of advice to the PVEC has a personal interest, whether or not that personal interest is in conflict with the interests of the holders of the shares concerned, he/she will abstain from taking part in the decision process on a voting recommendation. He/she will provide a written report on this matter to a member of the Executive Committee (except for the Chairman of the PVEC) and the Compliance Officer of the relevant KBC AM company.

KBC AM maintains very strict guidelines and policies regarding the potential misuse of inside information that employees and external members may obtain through the performance of their duties. As market abuse (i.e. insider dealing, improper disclosure of inside information and market manipulation) damages market integrity and undermines confidence in financial markets, KBC AM, in order to have effective processes to identify, monitor and manage the risk of market abuse, implemented and applies the following policies in each KBC AM company: Market Abuse Policy, Regulation on Personal Transactions and Procedure for Fund Managers & Analysts on dealing with Inside Information.

9. Stocklending & recalling lent stock

Stocklending is an important factor in safeguarding market liquidity, and can make a substantial contribution to the return of an investment. However, it prevents the possibility of exercising voting rights. If a situation calls for a voting procedure to be started, the KBC AM company that is the designated management company will stop lending the shares of the issuer in question. KBC AM will intervene in this way if the matter is considered important, e.g. in the event that KBC AM will vote against certain resolutions in the context of active engagement.