

Econopolis

Engagement Policy



In case of any questions, please contact info@econopolis.be
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Values and Core Beliefs

At Econopolis, as a wealth and asset manager, we recognize the significant social role we play in society. Our mission extends beyond merely creating value for our clients; we believe that every stakeholder deserves the right amount of attention. By upholding this principle, we strive to contribute to a more responsible, sustainable, and better world.

Our investment philosophy is inspired by the insights from the books *Econoshock* (2009), *Econoshock 2.0* (2014), *Gigantisme* (2019) and the *Climate Shock* (2022), written by Geert Noels. Since our foundation, sustainable investing has been a cornerstone of Econopolis's strategy. We are convinced that incorporating Environmental, Social, and Governance (ESG) factors into our decisions benefits not only our clients but all stakeholders, enhancing the overall success of Econopolis. This win-win approach is fundamental to everything we do.

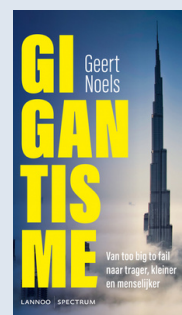
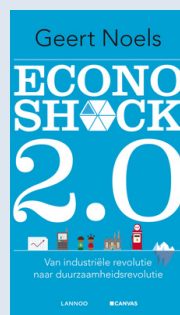
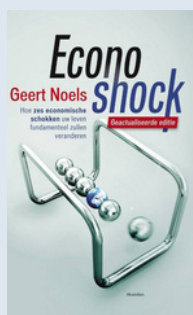
Driven by a genuine concern for the world, our clients, and our employees, we continuously evaluate our ideas, strategies, and decisions. We critically assess our actions and adapt where necessary to remain aligned with our values.

In that regard, we believe that actively participating in the general meetings of the companies Econopolis invests in is a crucial part of taking the beforementioned responsibility. In this manner, Econopolis actively engages with companies to ensure that our ESG policy, is adhered to by the companies we invest in.

Econopolis acts as investment manager for certain sub-funds. This policy is applicable to all sub-funds with the Febelfin Quality standard label from:

- Econopolis Funds
- Crelan Fund

Moreover, Econopolis will cast votes for the EcoVi equities fund which is a compartment of Econopolis Invest.



Investment Philosophy

Value to society should be created for all stakeholders (suppliers, employees, customers, shareholders, and so on). By using an active approach, we try to make the companies we invest in as conscious and responsible as possible.

Constructive dialogue

An active relationship between the companies we invest in and Econopolis is crucial. On a regular basis we have contact with the management of these companies. We do this by having direct contact with companies (management, executives, investor relations), mail, letter, phone calls or attending shareholder meetings and presentation set up by third parties offering us a platform to ask questions. When a certain decision or vision of a company does not match our philosophy of sustainable investing, we actively approach that company to discuss potential alternative ideas.

Keep our universe small

Our sustainable investment philosophy is a consequence of our founding principles as detailed before. From this starting point, we apply two exclusion lists that match our strict investment norms. We do not invest in companies harming human rights, weapons, tobacco, pornography, gambling et cetera. We also take strong positions regarding issues such as oil and gas production, coal mining, electricity generation, nuclear energy and climate change.

ESG factors also play a key role in restricting our investment universe, leveraging the knowledge of external experts, such as Clarity AI. This is our data provider, offering Econopolis advanced ESG research. Their ratings also offer us the possibility to apply investment criteria in terms of sustainability. We refer to the sustainable investment policy for further details;

<https://www.econopolis.be/nl/sustainability/>

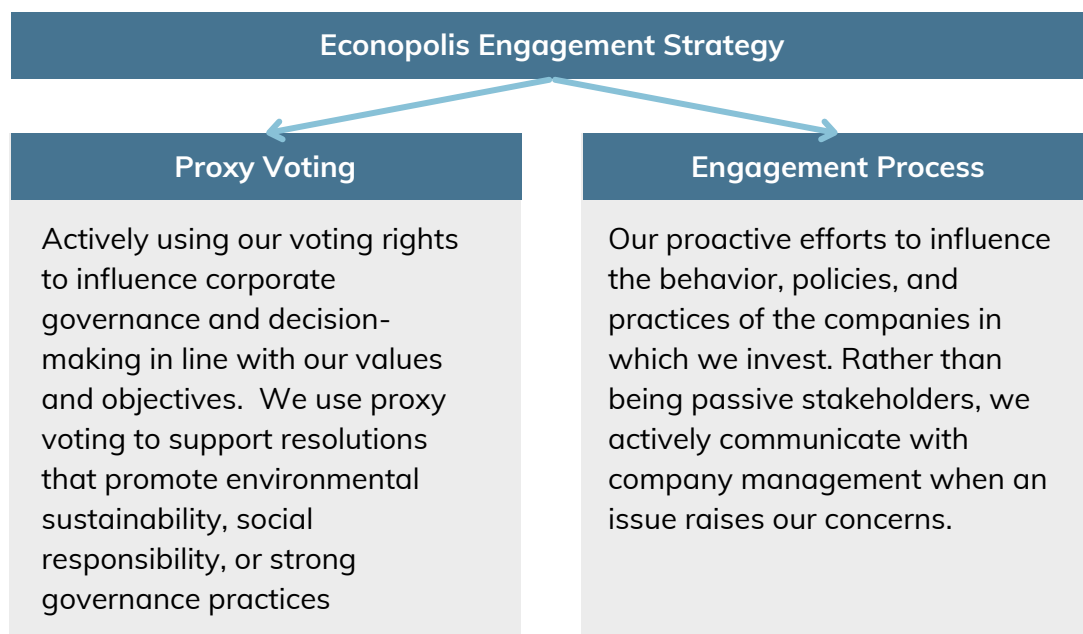
Collaboration with other institutional investors

It is important for all investors and every investment company to act responsible and sustainable. Because of that every institutional investor can benefit from an active communication and cooperation with each other. Econopolis is a part of the Belgian Asset Management Association. On a regular basis we discuss how we as Belgian institutional investors can strengthen and improve sustainability aspects when making investment decisions, as well as actively encouraging companies to act responsible and sustainable.

Engagement Strategy

Econopolis believes that the governance of companies, such as employee relations, management structures and executive remuneration plays a fundamental role in ensuring the inclusion of social and environmental considerations in the decision-making process. To ensure good governance is practiced in companies where Econopolis is a shareholder, we vote actively on proposals in shareholder meetings that cover good corporate governance. How we use proxy voting as part of our engagement strategy, can be found in section one of this report, “Proxy voting”.

Furthermore, our engagement policy aims to drive positive change by addressing issues related to ESG factors. We focus our efforts on companies where the ESG controversy scores, as provided by Clarity AI, indicate significant concerns. Our objective is to influence corporate behavior to align with our sustainability values and ensure long-term value creation for all stakeholders. We prioritize engagement with companies based on the severity of their ESG controversies. Companies with high controversy scores, particularly those holding such scores for a longer period, are targeted for direct engagement. This approach ensures that we address the most critical issues affecting our portfolio. More detail about how we actively engage with companies, can be found in the section “Engagement process”.



1 Proxy Voting

To stress the importance of the changing environment and social issues, Econopolis places specific focus on the following subjects in general meetings;

- ✓ Social: Human rights and labour rights
- ✓ Governance: Gender diversity
- ✓ Environment: Decarbonisation and 1.5°C alignment
- ✓ Environment: Natural resource use/impact
- ✓ Environment: Pollution/waste

These topics typically include issues related to the board of directors, such as gender diversity and climate accountability. For environmental and social issues, this translates to voting on social and environmental proposals, say on climate management proposals, and say on climate shareholder proposals. These focus areas will be further elaborated on in the upcoming sections.

Using our voting rights

Econopolis aims to make impact through voting in general meetings. As Econopolis invests in many different sectors, Econopolis aims to vote where most impact is to be expected.

For that reason, Econopolis will commit to vote at least in 50% of the board meetings in high impact sectors. As Econopolis will not be shareholder in most high impact sectors as those are excluded from its investable universe, the relevant sectors for Econopolis are:

- ✓ Textiles manufacture and wholesale
- ✓ Agriculture/fishery and wholesale
- ✓ Mineral resources extraction, basic products manufacture and wholesale
- ✓ Other carbon-intensive & high-emitting sectors

Moreover, Econopolis aims to vote in cases where a proposal in the general meeting of a company in one of its sub-fund's portfolios is against our engagement goals and will vote for proposals that cover the topics regarding environmental and social issues as mentioned in this policy. These principles were set up based on a collaboration with ISS proxy exchange, who will exercise all voting rights of Econopolis Invest and Crelan Fund. Broadridge will execute voting rights for Econopolis Funds. All votes will be cast as instructed by Econopolis.

The official voting process has been set up in such a way to ensure the votes cast by Econopolis are in line with its philosophy. In the case that a general meeting will be held by an investee company in a high impact sector or another investee company that covers a subject mentioned in this voting policy, the topic is assessed by the portfolio manager, together with the sustainability analyst of Econopolis. Afterwards, the vote in question will be passed through to ISS or Broadridge, who will exercise Econopolis' voting rights.

Board of directors

To ensure good governance, we vote against a management nominee in the election of the board in the case that;

General

Adequate disclosure has not been provided in a timely manner;

- There are clear concerns over questionable finances or restatements;
- There have been questionable transactions with conflict of interests;
- There are any records of abuses against minority shareholder interests;
- There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; and
- Repeated absences at board and key committee meetings have not been explained (in countries where this information is disclosed)

Board Gender Diversity

Econopolis considers diversity within a company to be of great importance, as we believe that diversity is necessary for the good governance and sustainability of a company. Therefore, Econopolis will generally vote against the chair of the nomination committee (or other directors) if the board lacks at least one director of an underrepresented gender identity*. Additionally, due to the differences in the domestic market best practices in terms of gender diversity on the work floor, Econopolis follows ISS's recommendations regarding the nomination of directors depending on best market practices. ISS's policy regarding gender diversity can be found on <https://www.issgovernance.com/policy-gateway/voting-policies/>.

Climate Accountability

For companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain, Econopolis will generally vote against the responsible incumbent director(s), or any other appropriate item(s) in cases where ISS determines that the company is not taking the minimum steps needed to understand, assess, and mitigate risks related to climate change to the company and the larger economy.

*Underrepresented gender identities include directors who identify as women or non-binary.

Minimum steps to understand and mitigate those risks are the following. Both minimum criteria will be required to comply:

- ✓ Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including board governance measures, corporate strategy, risk management analyses, metrics and targets.
- ✓ Appropriate GHG emissions reduction targets.

“Appropriate GHG emissions reductions targets” will be any well-defined GHG reduction targets. Targets for Scope 3 emissions will not be required but the targets should cover at least a significant portion of the company’s direct emissions. Expectations about what constitutes “minimum steps to mitigate risks related to climate change” will increase over time.

Environmental and social issues

At Econopolis, we believe a company’s responsibility to its shareholders is not only to ensure sufficient financial returns, but to ensure it in a way that embeds Environmental and Social issues into its decision-making process. Therefore, we actively vote on meetings that cover social and environmental proposals.

Voting on Social and Environmental Proposals

In general, Econopolis supports proposals covering social and environmental related subjects. These include a wide range of topics, including consumer and product safety, environment and energy, labour standards and human rights, workplace and board diversity, and corporate political issues. In general, we vote for resolutions seeking greater transparency and/or adhere to internationally recognised standards and principles. Econopolis will generally follow ISS’ recommendations based on their case-by-case analysis of the proposal, unless decided otherwise during one of the Equity Meetings. ISS’s policy regarding social and environmental issues can be found on https://www.issgovernance.com/policy_gateway/voting-policies/.

Say on Climate Management Proposals

Econopolis will vote for management proposals that request shareholders to approve the company’s climate transition action plan, considering the completeness and rigor of the plan. Information that will be considered where available includes the following:

- The extent to which the company’s climate related disclosures are in line with TCFD recommendations and meet other market standards;
- Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3);

- The completeness and rigor of company's short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions (Scopes 1, 2, and 3 if relevant);
- Whether the company has sought and approved third-party approval that its targets are science-based;
- Whether the company has made a commitment to be "net zero" for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050;
- Whether the company discloses a commitment to report on the implementation of its plan in subsequent years;
- Whether the company's climate data has received third-party assurance;
- Disclosure of how the company's lobbying activities and its capital expenditures align with company strategy;
- Whether there are specific industry decarbonization challenges; and
- The company's related commitment, disclosure, and performance compared to its industry peers.

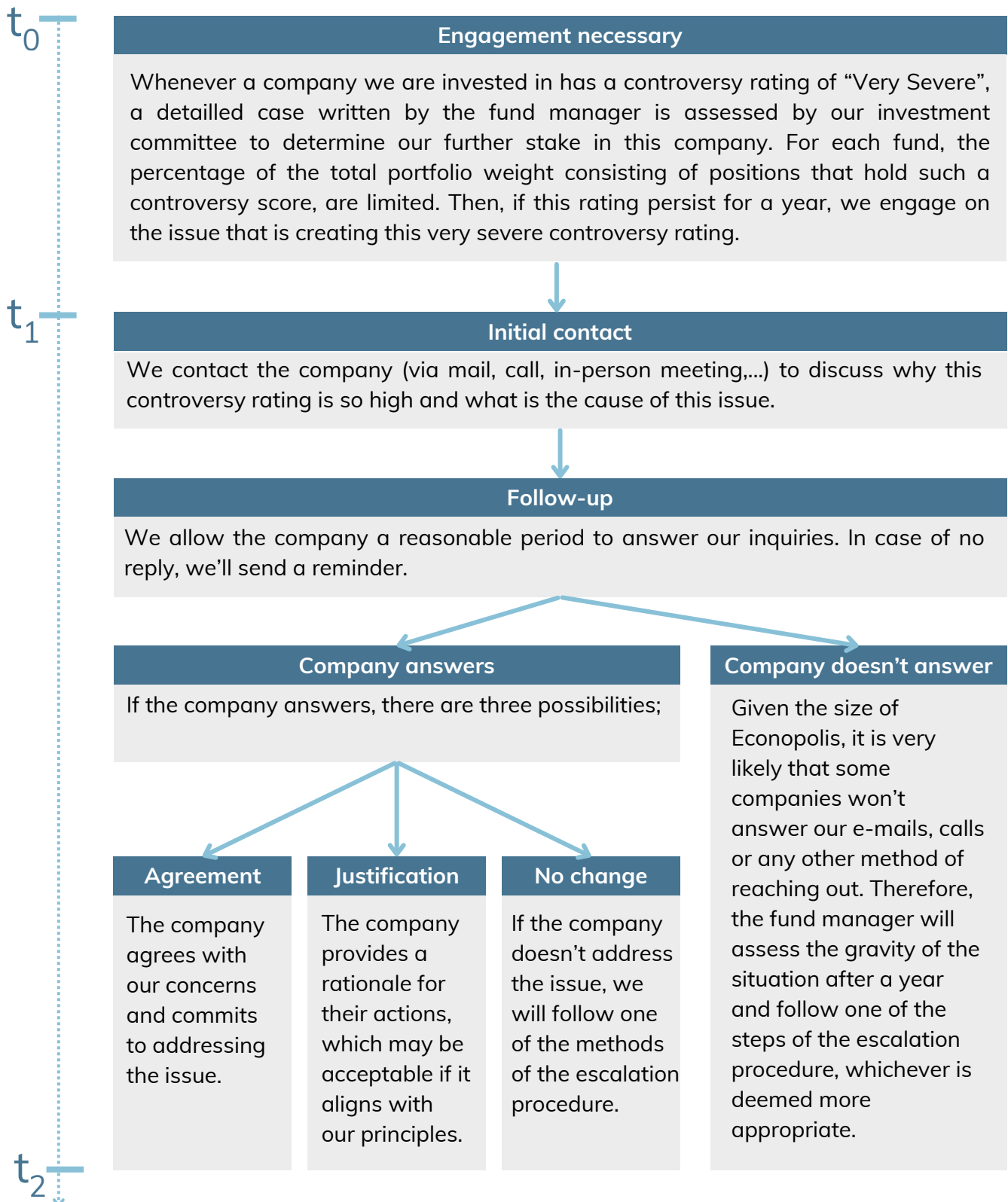
Say on Climate Shareholder Proposals

Econopolis will vote for shareholder proposals that request the company to disclose a report providing its GHG emissions levels and reduction targets and/or its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan, considering information such as the following:

- The completeness and rigor of the company's climate-related disclosure;
- The company's actual GHG emissions performance;
- Whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions; and
- Whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive.
- Own standards as laid out in the ESG policy

2 Engagement Process

Our engagement process follows this flowchart. On the left, the timeline has three important points in time: t_0 when the issue is first flagged, t_1 when the engagement procedure starts after a year, and t_2 at the end of the engagement process.



Escalation procedure

If a company fails to respond adequately or address our concerns, we may take the following escalation steps:

- AGM Questions and/or voting against management at AGMs.
- Send letters and request meetings with the board of directors.
- Take public statements, pre-declare voting intentions, file shareholder resolutions, and issue open letters.
- Changing capital allocation, divestment or refusal to purchase new debt from the company.

As stated before, whenever a company has a controversy score of “Very Severe”, a detailed case is presented to the investment committee, to assess our further stake in the company. Therefore, another method of the escalation procedure we allow, is reassessing the initial waiver in the investment committee.

Escalation measures are determined by the fund manager, who evaluates the most effective action to achieve the desired results.

Monitoring

We monitor our engagement efforts, anytime our engagement procedure starts. We check the status of the engagement: ongoing, escalated or closed, and keep track of this. Afterwards, we check the outcome of the engagement procedure: with, or without success.

Reporting and transparency

Econopolis values transparency and commits to publishing an annual engagement report on our website. This report includes:

- The approximate number of issuers engaged and the proportion of firm-wide holdings this represents.
- The total number of engagements, with multiple engagements on different topics counted separately.
- The type of engagement (top-down thematic-driven vs. bottom-up issuer-driven).
- The sectors and asset classes engaged with.
- The method of engagement (letters/emails/meetings).
- An overview of the casted votes and overview of those meetings covering a topic that is mentioned in this voting.

This comprehensive reporting ensures that our clients are informed about our engagement activities and their outcomes.



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