ESG Integration Policy (inclusion of ESG risk factors alongside financial analysis)

Introduction

Cadelam performs collective fund management during which sustainability risks are taken into account. A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment.[1]

The keystone of our responsible investment approach is engagement, active dialogue with companies. This has the greatest impact on shifting companies to (even) more long term thinking. Another component of this approach, exclusion, is there to avoid high ESG risks and negative impact on society as whole. Yet, to select the companies that have that long-term approach, to mitigate ESG risks and to identify investment opportunities created or supported by positive ESG change we use a third component, non-financial analysis.

Applicable Universe

ESG factors are integrated into the investment analysis performed in all of our funds. These factors are taken into account for all investments where a listed company is parent. If the parent is a country, we will assess UN sanctions as described in our exclusion policy.

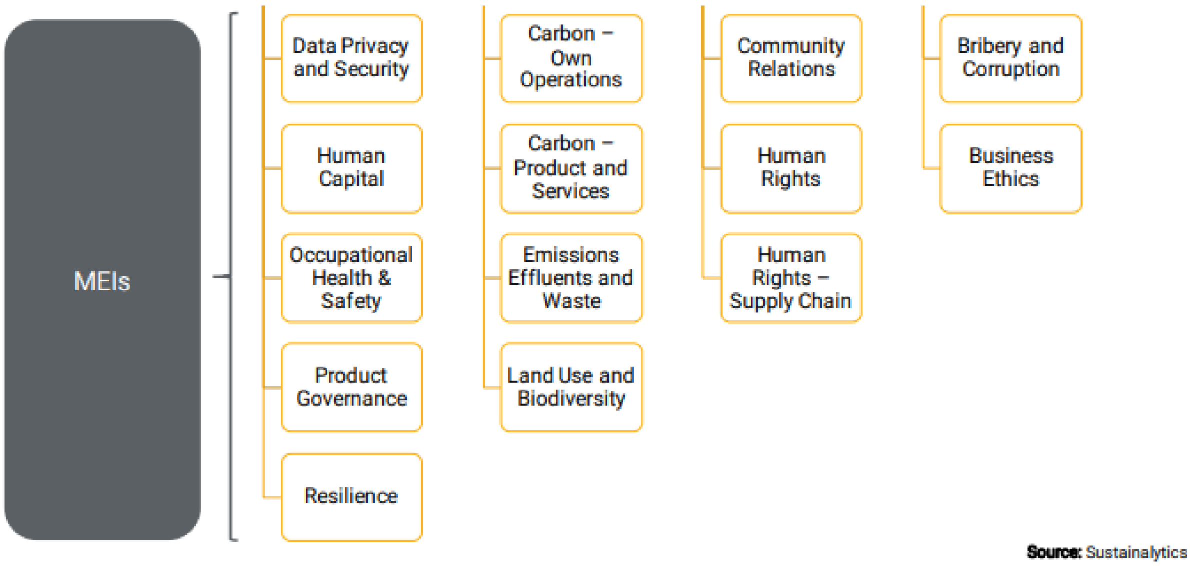
Policy

Our main providers of ESG data and analysis are Sustainalytics and EOS. Sustainalytics provides us with possible controversies, sustainable activities and company-specific ESG risk data. The Sustainalytics ESG risk approach focuses on material ESG issues and risks that companies could have, resulting in an output that can be used in a sector agnostic way, enabling comparison of every company across a portfolio. Material ESG issues (MEIs) are focused on a topic, or set of related topics, that require a common set of management initiatives or a similar type of oversight. For example, the topics of employee recruitment, development, diversity, engagement and labour relations are all encompassed by the material ESG issue of Human Capital because they are all employee-related and require Human Resources initiatives and oversight. The common thread behind all Human Capital topics is attracting and retaining qualified employees. Occupational Health and Safety also concerns employees, but the common thread here is to ensure the health and safety of employees at their workplace. The business risks associated with this are different from general Human Capital risks, and it is managed through a different set of activities.

[1] Article 2 (22), SFDR.

The assessment of material ESG issues occurs at the subindustry level and is reviewed annually through a comprehensive and structured process. At a company level, material ESG issues can be removed if they are not relevant to the company's business model.

These are the Material ESG Issues and Risks across sectors, materiality is dependent on sector and company:



As this data however can be slightly backward looking (based on published annual or quarterly reports), these views are considered alongside the research and insights from the engagements by EOS. EOS is our engagement partner and has first-hand information on the evolution of ESG considerations inside a company.

EOS will have an active dialogue with companies in portfolio and report on progress through milestones. More details about our engagement policy can be found on:

https://www.delen.be/en/our-approach/responsible-wealth-management/engagement

EOS-Public-Engagement-Plan

More information about the Sustainalytics ESG Risk methodology is available here:

https://www.sustainalytics.com/esg-data/

EOS website is available here:

https://www.hermes-investment.com/be/stewardship/

The combination of quantitative risk data and qualitative fundamental assessments makes it a robust process, resulting in keeping the focus only on companies that have a long-term approach on doing business. Integrating this result in the financial analysis strongly enhances the risk reward of our funds.