11 RESPONSIBLE INVESTMENT POLICY

11.1 Introduction

Saemor is dedicated to conducting ourselves in accordance with the highest legal, ethical and professional standards in our business. We pride ourselves on being an investment boutique with an institutional infrastructure. In the investment process we aim to have a balance between our main objective (providing high risk-adjusted returns over the course of the business cycle) and our responsibility to society at large. We consider the responsibilities of stewardship to be part of our fiduciary duty to our clients and other stakeholders. This note explains our policy with regard to responsible investment in more detail.

Saemor's cornerstone investor is Aegon, which is an official signatory to the UN-backed Principles for Responsible Investment ("PRI"). Although Saemor itself is not a signatory, we endorse the initiative and follow the PRI six Principles. The Principles are aspirational in nature. 'As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognise that applying these Principles may better align investors with broader objectives of society [source: http://www.unpri.org/about-pri/the-sixprinciples].' Next to the UN PRI, our policy is guided by the following international frameworks relevant to responsible investment: UN Global Compact and OECD Principles of Corporate Governance.

11.2 Our approach

ESG is a general term for an investment approach that takes into account the environmental, social and governance impact when making investment related decisions. There are several approaches by which funds can incorporate ESG information into their investment strategies. It can be as simple as screening out companies from an investor's universe that rank poorly on ESG criteria. The ESG philosophy can also take on a much more rigorous approach where investors incorporate specific ESG data towards companies or industries as an integral component of their investment analysis and decision process.

We have chosen to:

1. integrate environmental, social and governance factors into our investment process under the condition that these factors improve the risk/reward of our stock selection models;
2. limit our investment universe by excluding non- compliant listed companies ('black list'). The approved list of stocks is still large enough to enable Saemor to fully utilize its existing investment strategies;
3. limit our exposure to stocks, where ESG issues could impact its financial performance ('restricted list').

Whether any given firm is well managed and whether shareholders are fairly treated directly affect expected returns through the generation of future cash flows and the control of cash flow distribution between stakeholders. Issues concerning employee health, safety and turnover can impact shareholder value. ESG issues can have an impact on a company's financial performance, and thereby investment performance. This is the main reason why we actively pursue an ESG policy; it is part of our fiduciary duty. ESG integration is part of each team member's responsibility throughout the entire investment process.

11.3 ESG integration

We apply ESG principles in our day-to-day management. Our investment approach is pragmatic and empirical, and we do not treat ESG any differently. We assess the merits of ESG adoption by looking at empirical and objective evidence on ESG investing. A number of ESG factors are included into our investment process. These factors are selected on their alpha appeal and added value. If performance results of an ESG strategy is equal to or better than other investment strategies (e.g. value and momentum), then an ESG strategy will be included in our stock selection criteria. Sustainability factors which currently are included in our models are: Dividend Growth Stability, Earnings Growth Stability, Accruals, Asset Turnover, Capex-to-Depreciation, Earnings-to-Employees, Debt Change and Debt-to-Assets. Sustainable companies tend to score highly on these factors.

We may attempt to use specific ESG datasets to potentially uncover untapped sources of alpha and/or risk diversification. The ESG dataset contains an overwhelming number of unique data points that are typically not looked at by traditional investors. Saemor has access to ESG research data compiled by Bloomberg, MSCI and Thomson Reuters' Asset 4. MSCI ESG scores are designed to assist investment managers with the screening and analysis of companies based on sustainability factors as opposed to conventional financial metrics. MSCI ESG scores attempt to gauge a company's impact on environmental, social, and governance pillars.

11.4 Black List

We exclude companies from our investment universe to comply with local laws & regulation. Investments in companies that produce, sell or distribute cluster munitions are prohibited by Dutch law. We may also exclude companies to recognize international consensus. At this point there is international consensus around investments in 'controversial weapons' (the manufacture, development, trading and maintenance of biological weapons, chemical weapons, anti-personnel mines, cluster bombs, munitions containing depleted uranium, and nuclear weapons involving countries outside the scope of the Non‗Proliferation Treaty).

The excluded companies are noted on the black list and will not be included in the portfolio. At the moment (January 2016) three companies are excluded from our EMEA universe: Aeroteh, Ashot Ashkelon and Elbit Systems. In the recent past, BAE Systems, EADS, Finmeccanica, Rheinmetall, Thales and Zodiac were also on the black list. After a reassessment based on engagement and further research, these companies have been taken off the list.

11.5 Restricted List

A number of our portfolio managers are responsible for company research. They assess the impact of financially material ESG issues and take this into account in the decision-making processes.

We are subscribers to the MSCI ESG news and research service. MSCI publishes ESG research and news alerts, which helps to keep us well informed.

We prefer to avoid or limit the exposure to weakly governed firms as part of our broader investment strategy. If we feel a company does not – and will not within a reasonable time period - meet our ESG standards and that these issues could have a material impact on the share price, we may limit the exposure to 0% and thus implicitly exclude these companies from our investment universe.

This is one of the four pillars of our fundamental risk overlay. Portfolio managers can restrict the potential holding size of a particular company. These restrictions are fed into our portfolio construction process.

11.6 Engagement

We have established a process to engage with companies of concern that do not qualify for exclusion (inclusion on the restricted list). There is an engagement policy for companies that are associated with serious controversies related to the environment, human rights and customer related concerns, and where we expect to have the greatest impact. This is a narrow list as European companies typically score very well on ESG measures within the global landscape.

We can engage directly, through third parties or collaborative initiatives as appropriate to the situation. We collaborate with our strategic partner Aegon. Constructive dialogue have been established with various European companies in collaboration with external partners, like Eumedion, IIGCC and PRI.

Meetings with company representatives (C-level, investor relations) provide a forum for fundamental portfolio managers to discuss ESG topics with management. Being a quantitative manager we however rarely have one-on-one meetings with company management.

11.7 Voting

We typically do not vote on shareholder meetings. The average period of a holding in our portfolio is relatively short, thus making exercising voting rights less relevant. Moreover a significant part of our Long Book is re-hypothecated or included in a portfolio swap / CFD, which makes voting practically impossible.

We acknowledge that casting proxy vote ballots at company meetings serves to promote good corporate governance and to protect/enhance shareholder value. We will act as a responsible owner if the investee company is associated with serious controversies related to the environment, human or labour rights or governance, by exercising our voting rights and/or filing resolutions, where appropriate. This will only be the case in rare instances where we maintain significant holdings in the investee company over a longer term period. We will not borrow shares with the purpose of voting those shares.

11.8 ESG training

In order to make the most of the opportunities that ESG integration offers, we read and conduct ESG research and attend webinars/seminars about ESG and other RI matters. This is a continuous process.

11.9 Implementation of policy

We regularly examine whether our portfolio adheres to the Responsible Investment policy. There is both pre-trade and post-trade compliance based on the Black and Restricted List. Risk control, exposure monitoring and performance analysis are conducted on an ongoing basis. Our governance structures provide appropriate levels of oversight in the areas of disclosure, valuation, audit, risk management, and potential conflicts of interest and to implement compensation and other policies that align the interests of management and investors.

At the Annual Meeting of Participants, we report on our activities and excluded names in the universe. When the ESG analysis shows that a portfolio holding should be excluded, the Risk Manager will instruct the portfolio manager to close the position within three months.