

Fund Engagement Policy

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1. Scope

This document details the Fund Engagement Policy used by Bank Degroof Petercam SA (hereinafter referred to as “BDP”) including its Belgian Private Banking activities.

The policy aims to define a framework and measures to be applied when BDP engages with fund managers in the context of the bank’s commitment to Europe’s Sustainable Finance Agenda.

2. Engagement

Why engage?

As an investor in third-party funds on behalf of its clients, BDP recognizes its responsibility to express its views on the management of these funds and to make its voice heard. BDP will therefore not hesitate to speak up and encourage the fund managers in which it invests to operate in line with the Bank’s defined ESG-related risk appetite and strategic objectives.¹

Engaging with fund managers through direct dialogue during meetings with their representative or more formally, as described in this document, is a means to ensure that these risk appetites are respected and the strategic objectives are achieved.

When to engage?

Some third-party funds invest in instruments that would be excluded if they were analyzed as direct lines under the Bank’s Global Sustainable Investment Policy (hereafter GSIP²) and Controversial Activity Policy (hereafter CAP³).

BDP has chosen to comply with Sustainable Finance Regulations by using an extra-financial investment process - EFIP (DP methodology). Under the EFIP, issuers (whether companies or governments) are analysed from three different angles:

- The first is their eligibility. In practice, we exclude certain issuers based on an analysis of controversial activities and/or behaviour.
- The second is the extent to which they incorporate environmental, social and governance (ESG) risks. We analyse both their exposure to these risks and the way they manage them.
- The third is sustainability. We measure how the products and services provided by the issuer contribute to specific environmental and social objectives.

The CAP, look in detail at the first pillar: eligibility, which is based on controversial activities and exclusions.

For funds and ETFs that are part of the Recommended Fund List, BDP applies a look-through method⁴ and check for excluded direct lines. If BDP identifies such exclusions for the active funds, BDP will ask the **Public Fund Selection Committee** (hereafter PFSC) to engage with the fund manager and will provide the rationale for such engagement.

Also, upon the regular review of their holdings in third-party funds, the Private Banking Portfolio Construction Committee⁵ (hereafter PPC), the Fund Management Department for Patrimonial funds, the Private Banking Portfolio Management Team Meeting (PBPMTM)⁶, or any other department within BDP can ask the PFSC to engage with some funds.

In addition, the Public Fund Selection Committee (hereafter PFSC) may also commission an engagement in any situation

¹ Please refer to the Annual Report for more information on BDP’s Sustainable Finance strategy and ESG risk management.

² The Global Sustainable Investment Policy (GSIP) can be found [here](#).

³ The Controversial Activity Policy (CAP) can be found [here](#).

⁴ For a detailed description of the look-through method, please refer to the GSIP.

⁵ The PPC builds the Model Portfolios used in our Discretionary Portfolio Mandate and Advisory Mandates.

⁶ The PBPMTM regroups the team leaders from Portfolio Management and Investments. It defines, among others, the criteria for the Watchlists and validates the lists twice a year.

other than the one described above.

Who engages?

Since BDP's integration into Group Indosuez Wealth Management (hereinafter referred to as "IWM"), responsibility and process for engaging with fund managers are centralized at federal level within The Public Fund Selection Committee (PFSC).

The PFSC retains overall responsibility and oversight, while delegating the operational execution for engagements with external funds to its team of fund analysts. This team is composed of analysts from various IWM entities, including BDP. As such, it ensures full coverage of all funds in which IWM entities invest, regardless of the originating entity.

The Public Fund Selection Committee team organizes an annual fund engagement round as part of its monitoring process and must report on an annual basis to the IM SRI Steering Group⁷.

How to engage?

Whenever it is determined that engagement with an external fund is required, formal communication will be sent to the fund issuer. This will take the form of an official email, jointly signed by both the Head of Fund Management and the Head of the PFSC team.

This message will comprise the following elements:

1. A clear statement that the fund is breaching the GSIP of the bank.
2. An extract of the policy that has triggered the engagement.
3. An explanation that the bank considers the application of this policy to be justified.
4. A formal request for the external fund provider to share their feedback regarding the identified problematic positions.

3. Reactions to the engagement

The panel's potential reactions from the external fund provider to our engagement are listed below:

- **The external fund provider does not react to our engagement.** In this case, the PFSC will send reminders. The PFSC can also require further action by the Head of Investments or escalate the engagement to the IM SRI Steering Group. The cycle of engagement is one year. If by the end of the cycle the fund has not replied upon the reminders, the proposal to exclude the fund will be made.
- **The external fund provider disagrees with our arguments and does not intend to change anything to his investment policy.** In this case, the PFSC can exclude the fund or require further action by the Head of Investments or escalate the engagement to the IM SRI Steering Group.
- **The external fund provider agrees with our arguments and commits to comply with our policy.** In this case, DPM Mandates and Patrimonial Funds can continue to invest in the fund, and BDDP fund analysts will monitor whether the fund respects its commitment. If the fund hasn't complied with the engagement cycle (1 year), the proposal to exclude can be made.
- **The external fund provider brings qualitative items to justify his investment in the problematic positions.** In this case, he agrees with our policy but disagrees with BDPB outcome. The feedback of the fund provider will then be brought to the PFSC. A qualitative decision will then be taken on the basis (non-exclusive list):
 - Willingness of the company to engage in a dialogue
 - Acknowledgment of the significance of the ESG issue raised
 - Willingness to improve ESG performance
 - Active implementation of a policy or a target
 - Evidence of tangible improvements

The decision of the PFSC, in this case, can be twofold:

⁷ The Investment Management Sustainable & responsible Investment Steering Group is a committee at federal level and is responsible for setting the strategic positioning and ensuring its implementation across Investment Management investment solutions.

- a) The arguments of the external fund provider convince the PFSC => a waiver is given for one year to the fund during which time DPM Mandates and Patrimonial Funds can continue to invest in the fund. The PFSC informs the IM SRI Steering Group of the arguments of the fund provider.
- b) The PFSC remains unconvinced by the arguments of the external fund provider => the PFSC can decide to exclude the fund, require further action by the Head of Investments or escalate the engagement to the IM SRI Steering Group.

All decisions regarding the outcome of the engagement process are discussed and included in the minutes of the PFSC. The minutes are then shared with BDP Head of Fund Selection and the RBSG⁸.

When a fund is excluded for any of the reasons mentioned above, it is removed from the Convictions List at BDPB and placed on the Holding List. This means the bank is no longer permitted to proactively recommend the fund to clients.

4. Monitoring

The PFSC organizes an annual fund engagement round. Its monitoring process checks for the need to engage for (order of priority):

- Funds that have been given waivers during previous engagement rounds
- Funds that are part of Patrimonial Funds and Model Portfolios (look-through method)
- Other funds that are part of the Recommended Fund List (look-through method)

The PFSC will build, maintain and archive two types of records:

- An engagement log for each fund that has been engaged. This file will comprise all the steps that have been taken during the engagement process, with the date of each action. It will allow an optimal follow-up of each specific engagement with an external fund manager.
- A central engagement log will provide an overview of each engagement triggered. This file will comprise a list of the fund engaged, the reason why, the date, and the conclusion of the engagement process.

⁸ The Responsible Banking Steering Group (“RBSG”) aims to steer the overall ESG and Sustainable Finance agenda of BDP.