

# Controversial Activities Policy

# Table of contents

1. Summary .....	3
2. Scope of application .....	3
3. Objective .....	3
4. Controversial Activities .....	4
4.1 Controversial Weapons .....	5
4.2 Nuclear weapons .....	5
4.3 Conventional weapons .....	5
4.4 Tobacco .....	6
4.5 Thermal coal mining .....	6
4.6 Thermal coal electricity generation .....	6
4.7 Unconventional oil & gas .....	6
4.8 Conventional oil & gas .....	6
4.9 Democratic requirements (non-free and authoritarian countries) .....	7
4.10 Gambling .....	7
4.11 Adult Entertainment .....	7
4.12 Palm Oil production & Deforestation .....	7
4.13 Controversies .....	7
4.14 Breach of Global Standards .....	8
5. Responsibilities .....	8

# 1. Summary

Bank Degroof Petercam Belgium (hereinafter BDPB) has chosen to comply with Sustainable Finance Regulations by using an extra-financial investment process - EFIP (BDPB 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 Controversial Activities Policy (CAP), look in detail at the first pillar: eligibility, which is based on controversial activities and exclusions.

The policy plays an important role in BDPB effort to avoid sustainability risks and to reduce as much as possible the negative impact of its investments.

## 2. Scope of application

The Controversial Activities Policy applies to BDPB own investment (Bank portfolio) and investment made into the Private Banking department (PB) and to the Funds Management department (FM) of BDPB (Patrimonial funds).

The policy applies to all financial instruments within the meaning of MiFID offered to clients through the investment services of reception and transmission of orders (RTO), discretionary management and investment advice. It also applies to all instruments invested through the bank's Patrimonial Funds.

This policy is not only applicable to BDPB's current on- and off-balance portfolio but also consists in decision-making guidelines on Investment Banking prospects.

BDPB also conducts credit checks based on the company's sector of activity. Companies operating in controversial sectors are excluded from credit eligibility, as the aim is to avoid financing activities that are not aligned with topics which are considered controversial.

## 3. Objective

The CAP aims to describe and explain BDPB choices in terms of exclusions and restrictions on investments in activities that are deemed unethical and/or irresponsible and/or unsustainable.

CAP provides an overview of the different stances taken on all topics which are considered controversial and details the exclusions and/or investment restrictions BDPB is applying to its own investments as well as to investments held for its clients.

It applies to investments with environmental and/or social characteristics as well as to investments with sustainable objectives, in full alignment with the Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019, on sustainability-related disclosures in the financial services sector (hereinafter called "SFDR regulation"). This policy also covers exclusions and restrictions applying to investments classified as "other" following the SFDR regulation.

By excluding or restricting investments in these controversial activities, BDPB takes a clear stance in favour of sustainable and responsible investment. These exclusions and restrictions further evidence BDPB commitment as a sustainable actor acknowledging that those exclusions may have an impact on performance in certain market circumstances.

Although there is an overall view on the Controversial Activities described in this policy, specific Businesses can work out additional measures to be more severe if deemed necessary. Therefore, this CAP can be considered as the baseline on which business units can build further investment restrictions.

In May 2024, ESMA published its final report on guidelines on fund's names using ESG or sustainability-related terms, requiring exclusion of investment in companies aligned with the rules applicable to Paris-aligned Benchmarks or PAB (referred to in Article 12(1)(a) to (g) of CDR (EU) 2020/1818). Additional exclusions are therefore mandatory for the funds in scope of this guideline. The exclusions are related to controversial weapons, tobacco, Global Standards, oil and gas, thermal coal extraction and coal-based electricity generation.

BDPB and DPAM continuously monitor and analyze ESG controversies for the companies/issuers it invests in.

## 4. Controversial Activities

The following table indicates which controversial activities (exclusions) are applicable to BDPB own investment, Private banking and BDPB Patrimonial Funds.

V: Direct investments authorized  
X: No direct investment authorized<sup>1</sup>

Topics	BDPB own investments (Bank portfolio)	Private Banking <sup>2</sup>			Fund Management (BDPB Patrimonial Funds) <sup>3</sup>	
	Moderate ESG Profile	Neutral ESG Profile	Moderate ESG Profile	Strong ESG Profile	SFDR Art 8 with 20% Sustainable instruments (SI)	SFDR Art 8 with 50% Sustainable Instruments (SI)
Controversial weapons: Anti-personal landmines, Cluster munitions, Depleted uranium munitions and armours	X	X	X	X	X	X
Controversial weapons: Biological and chemical weapons, White phosphorous,	X	V	X	X	X	X
Nuclear weapons	X	V	X	X	X	X
Conventional weapons	V	V	V	X	V	X
Tobacco	X	V	X	X	X	X
Thermal coal mining	X	V	X	X	X	X
Thermal coal electricity generation	X	V	X	X	X	X
Unconventional oil & gas	X	V	X	X	X	X
Conventional oil & gas	V	V	V	X	V	X

<sup>1</sup> BDPB uses data from several providers (such as revenue exposure, sector, etc.) and defines significant exposure based on internal thresholds for the issuer exclusion.

<sup>2</sup> In Private Banking, the application of exclusions depends on the service provided to the clients (RTO, DPM or Advisory) and their sustainability profile (Neutral, Moderate or Strong).

- In RTO, clients do not have the option to express sustainability preferences, and orders are placed exclusively at the client's initiative. Therefore, no exclusion applies except the legal ones.
- In Advisory, the impact of exclusions depends on whether the advice is given at the initiative of the bank or the client. Advisors are not allowed to proactively recommend investments in excluded companies according to the policy or that do not align with the client's sustainable preferences, but the client may decide to purchase excluded instruments on their own initiative. Since these instruments are excluded, they must be purchased into the client RTO pocket.
- In DPM, Portfolio Managers are never allowed to buy investments in excluded companies.

<sup>3</sup> For BDPB Patrimonial Funds, a full look-through will be done in order to analyze both direct lines and sub-funds that the patrimonial funds invest in. The following rules apply to the patrimonial funds:

- There will not be any direct investment in excluded instruments
- There will be a maximum of 5% invested in excluded instruments (indirectly via sub-funds).

Democratic requirements (non-free and authoritarian countries)	X	V	X	X	X	X
Gambling	V	V	V	X	V	X
Adult Entertainment	V	V	V	X	V	X
Palm Oil production & Deforestation	V	V	V	X	V	X
Controversies	X	V	X	X	X	X
Breach of Global Standards	X	V	X	X	X	X

The different subsections give more context on what the different exclusion categories entail.

## 4.1 Controversial Weapons

Controversial weapons entail: Anti-personal landmines, Cluster munitions, Depleted uranium munitions and armours, Biological and chemical weapons, White phosphorous, Biological and chemical weapons,

**Anti-personnel landmines, cluster munitions and depleted uranium munitions and armours** are subject to a prohibition on financing in several countries. Belgium, France, the UK, the Netherlands, Switzerland, Italy, Spain and Canada (among other countries) have introduced legal limitations on financing some or all of these weapons. Thus, the exclusion of these types of controversial weapons is regulatory in nature, and BDPB has set up the necessary instruments to make sure that all our strategies fully comply with the applicable law.

**Biological and chemical weapons** are banned following the Biological Weapons Convention of 1972 (which was the very first international treaty to ban the production of an entire type of weapon of mass destruction, this highlights how controversial these armaments are) and the Chemical Weapons Convention of 1992, which have both been signed and ratified by almost all countries in the World. BDPB excludes the latter from the universe applicable to discretionary, advisory and patrimonial funds all issuers involved in biological and chemical weapons.

**White phosphorus** are used in a wide range of munitions, mainly to generate smokescreens. It is commonly found in smoke grenades for infantry and for armoured vehicles, in shells used by artillery and mortars, and in tracing ammunitions. White phosphorus self-ignites on contact with air, burns intensively, and can ignite cloth, fuel, ammunition, and other combustibles. Initially intended to generate smoke, white phosphorus munitions have become increasingly controversial as they have been extensively used as an offensive weapon during the wars in Korea, Vietnam, the Falklands, Chechnya, Iraq, Lebanon, Gaza, Afghanistan, Syria, and Ukraine. White-phosphorus weapons can cause very deep burns, and as the absorption of phosphorus into the body causes very serious medical complications like organ failure. The inhalation of the smoke can also cause permanent respiratory damage.

## 4.2 Nuclear weapons

Unlike most of the other controversial armaments mentioned above, the financing of companies/issuers involved in nuclear weapons is not prohibited under national laws. A prohibition to, inter alia, possess, use, develop and transfer or acquire nuclear weapons is now enshrined in the UN Treaty on the Prohibition of nuclear weapons, which was signed on 7 July 2017 and entered into force on 22 January 2021. Belgium is not a signatory and did not ratify this treaty.

However, although financing nuclear weapons is not prohibited by law in Belgium, nuclear weapons fall within the scope of activities classified as controversial by BDPB.

## 4.3 Conventional weapons

Conventional weapons refer to all weapons that are not weapons of mass destruction. This category includes firearms, artillery, tanks, warships, combat aircraft, missiles (excluding those with nuclear, biological, or chemical warheads), and other standard military equipment. Conventional arms are typically used in armed conflicts and military operations, as opposed to nuclear, chemical, or biological weapons, which are considered non-conventional or weapons of mass destruction.

Conventional weapons are intrinsically linked to severe social harm. Sustainable funds or mandates avoid activities that, by their nature, generate significant negative externalities such as conventional weapons.

## 4.4 Tobacco

Crédit Agricole SA is a signatory of the Tobacco-Free Finance Pledge<sup>4</sup>. In order to contribute to the group commitment, BDPB has decided to restrict investments in tobacco producers, as well as in the whole tobacco supply chain.

There is no safe level of tobacco consumption. When used as intended, tobacco will have contributed to the early death of two out of three smokers<sup>5</sup>.

Due to the profound scale of the negative impact of tobacco - more than seven million deaths per year including an estimated 1.6 million non-smokers who are exposed to second-hand smoke<sup>6</sup> - tobacco is the focus of the world's only global health treaty - the United Nations' Tobacco Control Treaty - which has been ratified by 183 Member States covering almost 90% of the world's population.

Tobacco is also a significant drain on national health budgets. Moreover, tobacco farming negatively impacts the health of workers through "green tobacco sickness", which is caused by nicotine being absorbed through the skin when wet tobacco leaves are handled<sup>7</sup>. Furthermore, the land used for tobacco cultivation could be used for food production, which would help to curb food scarcity.

## 4.5 Thermal coal mining

Generating electricity from coal is particularly carbon intensive, and even though several countries have started phasing-out coal power plants, the total negative contribution of coal power plants to global warming remains highly significant. In fact, complying with a 1.5 degrees scenario requires a complete phase-out of coal power plants, worldwide by 2050 at the latest, and probably much earlier<sup>8</sup>. In addition, coal power generation is also a major cause of atmospheric pollution, as coal power-plants release mercury, lead, sulfur dioxide, nitrogen oxides, particulates, and various other heavy metals. As a result, investments in thermal coal-related assets are the subject of increased societal concern, based on its environmental and health impacts and high mitigation and adaptation costs. Overall, the future of thermal coal is being increasingly jeopardised by future climate policies, technological developments, consumer trends, and the evolution of global energy markets.

## 4.6 Thermal coal electricity generation

To achieve the ambitious target of limiting global warming to max. +1.5°C, the utilities sector must notably shift its electricity generation mix towards renewables, upgrade the transport and distribution grids, develop storage solutions to alleviate the intermittent and fluctuating energy supply from renewables, and overall increase the diversification of energy sources, away from fossil fuels<sup>9</sup>. Hence, electric utility companies must align their business models and strategies with this climate-friendly model.

## 4.7 Unconventional oil & gas

Shale gas, oil sands, shale oil and Arctic drilling are considered controversial activities mostly because of their potentially significant environmental impact. Shale gas uses a water-intensive extraction process and generally requires the use of chemical additives which are injected into the ground. Oil sands extraction often leads to soil and water pollution<sup>9</sup>. As such, shale gas, oil sands and shale oil are increasingly criticised for their direct and indirect contribution to greenhouse gas emissions and ultimately these activities are increasingly considered to be contravening international efforts to mitigate climate change. Therefore, these unconventional fossil fuels are exposed to a higher carbon risk, as regulation becomes stricter notably within the framework of mitigating climate change.

## 4.8 Conventional oil & gas

Conventional oil and gas exploration, extraction, refining, and transport are controversial activities due to their negative contribution to climate-change, although gas is sometimes presented as a complement to renewables in the future electricity generation mix. The oil and gas sector also provides the raw materials used in a wide variety of industrial processes.

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4 Tobacco Free Pledge.

5 Banks, E., Joshy, G., Weber, M. F., Liu, B., Grenfell, R., Egger, S., Paige, E., Lopez, A. D., Sitas, F., & Beral, V. (2015). Tobacco smoking and all-cause mortality in a large Australian cohort study: Findings from a mature epidemic with current low smoking prevalence. *BMC Medicine*, 13, Article 38. <https://doi.org/10.1186/s12916-015-0281-z>

6 World Health Organization. (2025, June 25). Tobacco. <https://www.who.int/en/news-room/fact-sheets/detail/tobacco>

7 Ramadhani, D. C., Noveyani, A. E., & Ariyanto, Y. (2025). Green tobacco sickness in Indonesia's tobacco heartland: Sociodemographic and environmental determinants among farmers in Bondowoso regency. *Population Medicine*, 7(August), 19. <https://doi.org/10.18332/popmed/211571>

8 IPCC. (2022). *Climate Change 2022: Mitigation of Climate Change*. Working Group III Contribution to the Sixth Assessment Report (Chapter 6: Energy systems). Intergovernmental Panel on Climate Change.

9 Center for Sustainable Systems, University of Michigan. (2026). *Unconventional Fossil Fuels Factsheet*.

## 4.9 Democratic requirements (non-free and authoritarian countries)

Sustainability at country level differs from sustainability at company level. A sustainable country is committed to fully ensuring the freedom of its citizens and invests in their personal development and welfare. It respects the environment and is reliable in terms of international responsibilities and commitments. It ensures its future and invests in future generations (education and innovation).

Academic research has demonstrated the correlation between the quality of the institutional framework of a country and its default risk.

## 4.10 Gambling

Gambling is targeted by regulation in many countries, where it is either banned (e.g., Japan and Poland), or where the availability of gambling games is limited notably to protect vulnerable players or to ensure that the odds in gaming devices are statistically random. Gambling is considered as a controversial activity primarily because of addiction issues, and the associated risk of personal bankruptcy. Gambling addiction has been recognised as a mental condition by the World Health Organisation since 1982.

## 4.11 Adult Entertainment

Adult entertainment is the fifth most common excluded activity within the European SRI industry, with more than a third of sustainable strategies excluding it. Adult entertainment / pornography is illegal in many countries in the world (in most of Africa, the Middle East, East-Asia, and Southeast Asia). It is also subject to regulation in India, Australia, Russia, South Africa and the UK. In most western countries, it is not targeted by any sector-specific regulation. In these countries (including Belgium), only the most extreme forms of pornography, which are considered to be scandalous are generally outlawed under Penal Codes.

## 4.12 Palm Oil production & Deforestation

Palm oil production is associated with a variety of environmental, social and governance issues. These are, namely, deforestation and related topics such as respect for the ecosystem, biodiversity and the rights of local communities, greenhouse gas emissions, the use of pesticides, working conditions and respect for the rights of indigenous peoples. However, palm oil constitutes an important source of revenue for producing countries (including Malaysia and Indonesia, but also other emerging countries) and provides a livelihood to a significant part of their population. Moreover, palm oil also plays a role in feeding populations, and it additionally has various other uses including in: food products, cleaning, pharmaceuticals, cosmetics and biodiesel. Finally, although palm oil is often criticised in the media, palm trees remain the most productive and efficient source of vegetable oil. In order to produce the same amount of vegetable oil, other potential sources would need far more land.<sup>10</sup>

In order to reduce its adverse effects, several sector-based initiatives exist, the main one being the “Roundtable for Sustainable Palm Oil - RSPO”. The objective of the RSPO is to promote the production and use of palm oil that is sustainable for people, the planet and communities, and that favours general welfare. The RSPO is the most important sector-based initiative promoting Sustainable Palm oil, and arguably it is also the only one having reached the critical size required to effectively change practices along international palm oil supply chains. Furthermore, the RSPO regularly upgrades its requirements, in order to better tackle deforestation issues.

## 4.13 Controversies

BDPB assesses companies based on the allegations they (might) face in relation to ESG controversies as controversies serve as an important indicator of the effectiveness of ESG-related policies and programs.

The severity of an allegation or how controversial the activity of the company is, is determined based upon the impact, nature, scope, and recurrence of the incident in addition to the response of the company, the responsibility of the management and the practices that are in place in the company.

BDPB relies on DPAM (Degroof Petercam Asset Management) research and analysis of more moderate controversies with negative outlook. It is essential to understand what is behind the controversy and whether other weaknesses, in terms of corporate governance for example, may undermine the sustainable growth of the issuer. For this, DPAM relies on additional sources of information available on companies. Based on this information and discussion with the company and the research providers, the case will be submitted to the relevant governance body - the SRI Steering Group for validation and implementation of the decision.

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<sup>10</sup> Meijaard, E., Garcia-Ulloa, J., Sheil, D., Wich, S. A., Carlson, K. M., Juffe-Bignoli, D., & Brooks, T. M. (2018). Oil palm and biodiversity: A situation analysis by the IUCN Oil Palm Task Force. IUCN. <https://doi.org/10.2305/IUCN.CH.2018.11.en>

## 4.14 Breach of Global Standards

BDPB ensures alignment with global standards such as the United Nations Global Compact, probably the most widely recognized. Launched in 2004, the United Nations Global Compact principles quickly established themselves as the framework of reference for sustainability normative screenings.

BDPB fully endorses the ten principles of the United Nations Global Compact, as evidenced by the normative filters applied including the U.N. Global Compact and other global standards such as ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties.

## 5. Responsibilities

With the ever-evolving environment and society, the list of controversial activities is mutable. Scientific and social views do change over time. Hence activities considered today as acceptable, might no longer be considered acceptable in the (near) future.

The integration of Environmental, Social & Governance (ESG) factors is the shared responsibility of all investment professionals at BDPB. Overall, several governance bodies are involved in the process – a description can be found in the Global Sustainable Investment Policy published on the website.

This policy is integrated into the BDPB internal control framework.