

ENGAGEMENT POLICY

JULY 2022



1. INTRODUCTION

As a United Nations Principles for Responsible Investment (PRI) signatory, Bank Nagelmackers endorses its second principle which states that as an investor, we will be active owners and incorporate ESG issues into our ownership policies and practices. As such active ownership, including engagement and voting, is a key part of Bank Nagelmackers' approach to sustainable investing. Engagement can be performed individually or through collaborative engagement initiatives.

As we are typically a small minority shareholder Bank Nagelmackers supports collaborative efforts to engage with large companies, while we pursue individual engagement efforts by focusing our resources on smaller companies with a local anchorage in the Belgian market.

Through our open architecture model, Bank Nagelmackers has developed strong capabilities in screening and selecting third-party funds from external asset managers. As such, we enter and maintain dialogue with them to ensure that our engagement standards are aligned and that they act as active owners on behalf of our clients.

2. PURPOSE

Engagement allows for Bank Nagelmackers to work with investee companies over time on specific environmental, social or governance issues that we regard as posing a possible downside risk to the business. Through engaging with company management, either individually or collectively, we aim to influence companies to adopt better ESG practices and align to industry best practices so that we can best preserve and enhance the value of our clients' assets.

Engagement also enables us to have a clearer view on a company or external asset manager's approach to sustainability in relation with its broader business or investment strategy.

3. SCOPE

This Engagement Policy applies to our direct investments in investee companies through equity and debt securities, within all funds and mandates managed by Bank Nagelmackers, by designation or delegation, as well as Bank Nagelmackers' own investment portfolio in debt and/or equity instruments. In terms of product scope it applies to all funds managed by Bank Nagelmackers and both discretionary and advisory mandates, independently from the adopted ESG approach. Execution-only is out of scope for this engagement policy. Voting is currently applied only for direct line equities in funds managed by Bank Nagelmackers. This policy was validated by the Sustainability Committee of Bank Nagelmackers nv in July 2022 and its Executive Committee in August 2022.

4. PROCESS

Bank Nagelmackers defines four major steps in order for our engagement efforts to be successful. First, we identify which issues should be prioritized and/or which companies are in most need of engagement. Next, we set objectives for desired engagement outcomes. Third is the actual engagement efforts with investee companies and reporting the intermediary advances or results. Finally and when appropriate, we escalate if the engagement does not reach the desired objectives.

We have therefore set guidelines for prioritizing engagements when:

- We hold a major stock or debt position in an investee company, especially when its activities are focused in Belgium and/or it concerns a small-sized company
- We hold a major position in (a set of) fund(s) of an external asset manager
- We deal with an issue or theme that is a material driver of long-term shareholder value.

1. Resources

Individual engagement efforts with investee companies are performed by our fund managers. Exchanges with investee companies or meetings are documented, saved and shared through ISS' engagement platform. Individual engagement with external asset managers are performed by our fund analysts.

Collaborative engagement efforts typically start with a specific issue and seeks to engage with all the companies impacted by that issue. This can be a sector as a whole or even broader and can also include companies not currently held in our investment solutions. Collaborative engagement efforts are discussed in Bank Nagelmackers' Sustainability Committee ('the SC') and monitored by sustainable investment specialists.

2. Themes

We have determined themes for engagement that are aligned with our investment strategy that integrates ESG factors including principle adverse impacts:

- Environmental: focus on climate change and reduction of GHG emissions (PAI 1-6)
- Social: respect for human, social & labour rights in line with UN Global Compact, OECD Guidelines for Multinational Enterprises (PAI 10-11) and anti-discrimination measures
- Governance: focus on board performance and improved gender diversity (PAI 13).

Aside from these themes, another area of focus is to improve access to key data points in non-financial information related to sustainable issues. This can be especially a challenge for smaller-sized companies. However we believe that through engaging with these companies and challenging them with sector or industry best practices, we can play our role to improve disclosure on relevant ESG issues.

3. Collaborative Engagement

Given that many of investee companies are large, our direct investments are relatively small in comparison with the size of the investee company. To effectively engage with these companies, Bank Nagelmackers sees collaborative engagement initiatives as a more suited approach to achieve better results than individual efforts we would undertake otherwise.

Bank Nagelmackers is a signatory and participant of CDP (Carbon Disclosure Project)'s engagement initiatives such as the Main Campaign.

Bank Nagelmackers is also open to join efforts with other stakeholders or investors when we believe the issue is material and our priorities are aligned. To this extent, we aim to expand our efforts in the next years into high-priority themes such as climate engagement.

4. Individual Engagement

Investee companies

For companies where we believe to be able to have a more likely impact, typically for small Belgian companies, we can engage directly with the companies we invest in. Our area of focus is mainly targeted at board effectiveness and to improve access to key data and information related to sustainable issues.

External asset managers

While indirect investments through external asset managers can become more complex to pursue active engagement, our role is to hold the external fund managers accountable for their own investment and stewardship efforts and to represent our investor interests.

For external managers our engagement guidelines differ depending on the sustainability classification of the fund and our expectation for the level of style and engagement on ESG topics within the strategy. The focus of these guidelines is on investment in corporate securities, we do not expect portfolio managers to engage with governments if they invest in government bonds.

Bank Nagelmackers engages with external asset managers on different topics related to sustainable investment, such as regulatory requirements (e.g. SFDR/EU Taxonomy) and disclosure of PAI indicators, responsible investment policies, active ownership and voting activity. We also engage with third parties to disclose non-financial information as sustainability policy and ESG data to external data providers in order to improve the overall transparency.

When selecting an external manager, an assessment of the external manager's approach to engagement is performed. The assessment takes into account if the external asset management company has an engagement policy in place by its own, does disclosure of the policy, how engagement is done within the entity and/or specific strategy, on which topics and how are these defined, if they have transparency on all engagement topics and outcomes, and how this will impact investment decisions.

As we emphasize to engage with external managers of sustainable strategies, this will be mainly done through two different methods:

- Written engagement: we will send emails and/or letters, including questionnaires, in order to have a complete view on the asset manager's engagement approach and activity
- In person engagement: we will organize calls and/or meetings with the fund management company, where we will put the above mentioned engagement topics on the agenda. This is rather at a later stage of the manager selection process, with the objective to gain deeper understanding of their engagement process.

5. Voting

Bank Nagelmackers considers voting at an essential client asset to be considered carefully and to exercise with reason. AGM issues concerning the structure of the board, audit and oversight, remuneration and protection of shareholders are part of our fiduciary duty and requires dialogue with investee companies in order to understand the issues and express any concerns, either through proxy voting or direct dialogue. As a form of engagement, the voting policy forms an integral part of our responsibility.

More information about voting is available in Bank Nagelmackers' [Voting Policy](#).

Voting activity and outcome will be disclosed on an annual basis on Bank Nagelmackers' website.

5. TRANSPARENCY & REPORTING

Bank Nagelmackers is committed to be transparent on its stewardship activities to its stakeholders and to report these activities publically at least once a year. The report would include the number of engaged companies, number of issues raised and objectives and progress made in achieving milestones defined for each engagement topics.

We also expect external asset managers to adhere to the same level of transparency with regards to their own engagement efforts and voting activities. We expect full transparency of the policies and processes in place and will review the documentation minimum once a year.

The Engagement Policy has been approved by the SC on 22/7/2022.