

## CONTENTS

1. MISSION  What does sustainability mean to Nagelmackers?  Scope  Regulatory framework  Evolving landscape	(
2. SUSTAINABILITY RISKS  Bank Nagelmackers' definition of sustainability risks  Identification of sustainability risks	7
Internal sustainability risk governance  3. BANK NAGELMACKERS' RESPONSIBLE INVESTMENT APPROACH	9
Mainstream strategies  Norms-based screening & negative screening  of controversial activities (level one)  Environmental, Social and/or Governance screening	1(
in the investment process  Sustainable strategies for Nagelmackers as  Financial Market Participant	10
Negative screenings based on controversial activities (level two) Norms based screening (level two)	1°
ESG integration ESG Corporate Rating	12
Country Rating  Monitoring and exclusion  Best in class  Best in universe	12 12 13
ESG-related thematic focus Impact Other	13 13 13
Sustainable strategy for Nagelmackers as Financial Advisor	14
4. PRODUCT LABELLING	15
5 DIVEDSITY AND INCLUSION DOLICY	15



### 1. MISSION

# WHAT DOES SUSTAINABILITY MEAN TO NAGELMACKERS?

Bank Nagelmackers' mission is to create long term value for our clients (private, professional, and institutional) by managing their portfolios in a sustainable way, meaning we consider ESG factors in our decision-making process, in addition to profitability and financial objectives. Bank Nagelmackers does so by integrating environmental, social and governance ("ESG") factors into investment decision-making, offering clients a wide range of ESG solutions across different asset classes. We are working on increasing our engagement with different stakeholders, such as external asset managers and investee companies, to make sure that their ESG considerations are aligned with our expectations.

Bank Nagelmackers not only integrates sustainability in its clientfacing operations, but also does it internally, as an organisation. Bank Nagelmackers has a Corporate Social Responsibility (CSR) dedicated team, which sits under the supervision of the Director of Human Resources, who independently reports to the CEO. To support the local community when COVID-19 hit Belgium in March 2020; Bank Nagelmackers donated a respirator and 2000 mouth masks to St Pierre Hospital in Brussels. The CSR team also launched initiatives in the past years aimed at responsible consumption, clean water and clean energy such as the phasingout of plastic bottles and disposable cups and the switch to a green electricity provider. On climate action, the bank will move into a new headquarters at the end of 2022 that will be entirely CO2neutral. It will also be the first high-rise in Brussels with a timber frame construction and will feature a living roof and rely on green technologies such as solar panels, heat pump, LED lighting and water recuperation systems.

Bank Nagelmackers has taken important steps in integrating sustainability, starting with becoming a signatory of the UN-PRI¹ since January 2019. This first step led to the incorporation of a sustainability assessment in the screening process of external funds and the selection of several sustainable funds such as equity impact funds and thematic funds which invested in Green or Social Bonds. This selection enabled Bank Nagelmackers to offer a broad range of ESG solutions across different asset classes. Additionally, this led to a further integration of ESG factors into portfolios and funds managed by Bank Nagelmackers. Our objective is to continue to expand this sustainable product offering and further optimize our responsible investment processes.



#### **SCOPE**

The purpose of this Sustainability Risk Policy (the 'Policy') is to detail the structure that governs the approach of Bank Nagelmackers to the integration of sustainability risks into our investment decision-making process, our responsible investments and ESG approach in general. This Policy is meant to be overarching across our investment process. However, Bank Nagelmackers might have a more specific ESG approach depending of the fund, asset class or objective pursued by a particular financial product. If this is the case, the specific ESG investment process will be described in the prospectus.

The Policy is approved by the Asset Management Sustainability Committee (the "SC") of Bank Nagelmackers. The SC includes Executive Management through the Chief Risk Officer as well as members of Asset Management ("AM") and is presided by the Head of Asset Management. The SC is responsible for determining the Policy and monitoring compliance across Bank Nagelmackers' investment offering and decides on exclusions and engagement efforts. The AM team is responsible for the implementation of the Policy in the investment process.

This Policy applies to all Bank Nagelmackers investment strategies in mandates and fund management, in our role as Financial Market Participant, and also to the investment advice Bank Nagelmackers provides as a Financial Advisor. The Policy will be reviewed and updated at least once a year by the SC.

When Bank Nagelmackers acts as a Financial Market Participant, the policy outlined in this document applies to all actively-managed portfolios and investment funds managed by the Bank. This document details the approach Bank Nagelmackers takes to sustainable investing for both its mainstream and sustainable strategies, under mandates or in the funds it manages.

When Bank Nagelmackers acts as a Financial Advisor, the policy describes how sustainability risks are integrated in third-party funds selection and assessment.

#### REGULATORY FRAMEWORK

As a part of the EU Action Plan of Financing Sustainable Growth, the EU Sustainable Finance Disclosure Regulation<sup>2</sup> ("SFDR") requires policy measures regarding the integration of sustainability risks into the investment decision-making process of Financial Market Participants ("FMP") and into the investment advice of Financial Advisors ("FA").

As stated in Scope, this Policy describes Bank Nagelmackers' general approach to sustainability, including the integration of sustainability risks, as required by Article 3 of the SFDR.

#### **EVOLVING LANDSCAPE**

Bank Nagelmackers is convinced that the incorporation of financially material ESG factors and the consideration of sustainability risks into investment decision-making are essential to deliver long-term value to its clients. The integration of sustainability risks in the financial industry is however still subject to further development. Increased transparency requirements will most likely increase the availability of ESG data, both in terms of scope as well as quality; new reporting standards will emerge and industry best practices will continue to evolve with the development of new tools and processes. Bank Nagelmackers encourages this development with the goal of providing consistent and comparable ESG data to all stakeholders. It will therefore regularly review and, if necessary, update its sustainability risk integration processes to ensure that they align with latest industry developments, insights and standards.



### 2. SUSTAINABILITY RISKS

BANK NAGELMACKERS' DEFINITION OF SUSTAINABILITY RISKS

For the incorporation of sustainability risks, Bank Nagelmackers uses the legal definition of sustainability risks contained in the SFDR:

"A sustainability risk is an environmental, social, or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment."

To identify ESG events or conditions which could potentially cause material negative impacts on the value of the investment, Bank Nagelmackers pays specific attention to a set of environmental criteria, social and employee matters, respect for human rights, anti corruption and anti bribery matters. Principal Adverse Impact Indicators serve as a guidance for this assessment.

ESG factors may have a positive or negative impact of the financial performance of financial products. Bank Nagelmackers believes that the integration of sustainability risks into its investment decision-making process can potentially enhance the risk-adjusted return of its investment solutions. Bank Nagelmackers integrates sustainability risks by:

- Sourcing ESG data and making such information broadly available to portfolio and fund managers to enable them to identify sustainability risks and opportunities on individual entities. It is mandatory for our portfolio and fund managers to review the PAI indicators and ESG data and/or score provided by the Sustainability Committee.
- Incorporating sustainability risks within portfolio and fund construction, management and risk control.
- Including sustainability risks into strategic asset allocation models.

In combination with traditional financial factors, such as valuation or risk metrics, portfolio and fund managers at Bank Nagelmackers include sustainability risks in their investment decision process by evaluating a range of Principle Adverse Impact ("PAI") indicators along different sustainable themes, sustainability risks are then the negative materialization of these indicators. See a full list of the PAIs we consider for the identification of sustainability risks and their theme:

Kenmerken	Sustainable theme	PAI Indicator
Investee companies	Climate	GHG Emissions (PAI 1)
		Carbon Footprint (PAI 2)
		GHG Intensity of Investee Companies (PAI 3)
		Exposure to Companies in Fossil Fuels (PAI 4)
		Share of Non-Renewable Energy (PAI 5)
		Energy Consumption Intensity (PAI 6)
	Environment	Activities Negatively Affecting Biodiversity-sensitive Areas (PAI 7)
		Emissions to Water (PAI 8)
		Hazardous Waste (PAI 9)
		Investments in companies without carbon emission reduction initiatives (Additional PAI)
	Social Issues, Human Rights and Controversies	Violations of UNGC principles and OECD (PAI 10)
		Lack of Processes and Compliance Mechanisms to Monitor Compliance with UNGC and OECD (PAI 11)
		Unadjusted Gender Pay Gap (PAI 12)
		Board Gender Diversity (PAI 13)
		Exposure to Controversial Weapons (PAI 14)
		Incidents of Discrimination (Additional PAI)
		Lack of anti-corruption and anti-bribery policies (Additional PAI)
Real Estate	Fossil Fuels	Exposure to Fossil Fuel through Real Estate Assets (PAI 17)
	Energy Efficiency	Exposure to Energy-Inefficient Real Estate Assets (PAI 18)
Sovereigns and Supranationals	GHG Intensity	GHG Intensity of Investee Countries (PAI 15)
	Social Issues	Investee Countries Subject to Social Violations (PAI 16)
		Average freedom of expression score (Additional PAI)
	Governance	Average corruption score (Additional PAI)
		Non-cooperative tax jurisdictions (Additional PAI)
		Average political stability score (Additional PAI)
		Average rule of law score (Additional PAI)

The way sustainability risks are integrated through evaluation of the PAI indicators differs across our investment solutions as the materiality assessment can be different depending on the asset class, investment strategy or objectives set out by the client.

#### IDENTIFICATION OF SUSTAINABILITY RISKS

Bank Nagelmackers identifies sustainability risks through ESG data sourced from external providers as well as from services of non-profit organizations such as the World Bank and Carbon Disclosure Project (CDP). The data providers and other data sources are assessed on a monthly basis in terms of data quality, scope as well as consistency. To assess the sustainability risks, we apply an internal ESG scoring model (See ESG Corporate Rating) and make the data available to all portfolio and fund managers within Bank Nagelmackers. Our ESG scoring model takes into account raw data from third-party data providers and different weighting schemes based on type of assets and income.

#### INTERNAL SUSTAINABILITY RISK GOVERNANCE

The Sustainability Committee is responsible for identifying and measuring the sustainability risks to which a fund or portfolio might be exposed. Once the risks are identified and designated as financially material for an investment, the committee decides on appropriate actions to undertake depending on the asset class, investment strategy or client objectives of the fund or portfolio type. Decisions to mitigate the identified risks can include straight-out exclusion of certain positions, levels of overall exposure or engagement efforts to be undertaken.

The Sustainability Committee decisions are made available to all portfolio and fund managers, who are responsible for the implementation of the decisions. The Sustainability Committee is responsible for monitoring, controlling and reporting that funds are aligned with the decisions. The Sustainability Committee has the power to challenge the manager decisions (e.g., decide on an investment that carries higher sustainability risks) and decide on the best action to follow. Decisions taken by the Sustainability Committee are final and must be executed by the fund managers.



### 3. BANK NAGELMACKERS' RESPONSIBLE INVESTMENT APPROACH

Bank Nagelmackers currently offers a wide range of investment strategies, including mainstream strategies defined as Article 6 products under SFDR; and sustainable strategies defined as products that either promote social and/or environmental attributes ( Article 8 under SFDR). It is Bank Nagelmackers ambition to further extend the product line with sustainable strategies and to enhance ESG integration throughout the whole bank and, in the future, offer investment strategies that pursue or have a sustainability investment objective (Article 9 under the SFDR).

An overview of our strategies based on the type of financial product under the SFDR can be found below:

Type of strategy	Article 6- mainstream investment	Article 8 - Promotion of social and/or environmental characteristics
Exclusions	V	V
Norms-based and negative screening - level one	V	v
E, S and or/G screening investment process	V	V
Norms-based and negative screening - level two		V
ESG integration		V
Best in class		V
Best in universe		

#### MAINSTREAM STRATEGIES

Bank Nagelmackers has set clear expectations with respect to corporate ESG management and investment performance and expects that our investee companies operate in line with our commitment to the UN PRI and in observance of existing laws and regulations.

Bank Nagelmackers has defined its position with regards to the activities it will invest in, and to this end, it performs norms-based screening and negative screening for controversial activities (as described below) on a monthly basis. This ensures that companies that conduct business activities that are not in line with Bank Nagelmackers' expectations are ruled out as eligible investments for its mandates or funds.

However, the restrictions on norms and controversial activities will not apply to any (in)direct investments in indices nor derivatives within funds and portfolios managed by Bank Nagelmackers.

While our goal is to transition towards more specific ESG indices and derivatives over time, currently, traditional indices still provide better liquidity in comparison to lesser-traded ESG indices and derivatives. This plays an important role in the overall risk management of a portfolio or fund, as the liquidity benefits can outweigh the risks of having a small or limited indirect exposure (e.g. through an ETF) to companies that would otherwise be excluded through norms-based screening or based on controversial activities. Bank Nagelmackers is however committed to periodically review the liquidity of ESG indices and derivatives and review its policy on the use of traditional indices, should the benefits of the latter no longer outweigh the associated risks.

#### Norms-based screening & negative screening of controversial activities (level one)

All of our investment strategies include an exclusion list based on norms-based screening and negative screening. Bank Nagelmackers excludes therefore companies exposed to the following:

- International sanctions & embargos
  - Countries subject to the sanctions of the United Nations, US and the European Community;
  - EU embargos on financial assets.
- · Controversial weapons

Controversial weapons consist of anti-personnel mines, biological and chemical weapons, cluster weapons and depleted uranium ammunition.

- Companies involved in the production of controversial weapons or weapon parts (including cluster munitions, anti-personnel mines and depleted uranium) are excluded by virtue of Belgian legislation (Mahoux Act). A company is considered involved if the activity consists in manufacturing, using, repairing, putting up for sale, selling, distributing, importing or exporting, storing or transporting anti-personnel mines, submunitions and/or inert ammunition and armour with depleted uranium or any other industrial uranium within the meaning of the Act, and with a view to its dissemination.
- Nuclear weapons
   All companies which are directly involved in nuclear weapons and derive more than 10% of their revenues from nuclear weapons, are excluded from all eligible investment universes for mandates and funds.
- Countries that are systematically corrupt, severely neglect basic social and political rights, or that
  are subject to UN Security Council sanctions are excluded from the investment universe. These
  countries include: Afghanistan, Burundi, Central African Republic, Congo DRC, Iran, Iraq, Libya, Mali,
  Myanmar, North Korea, Somalia, South Sudan, Sudan, Syria, Yemen, Zimbabwe.

#### Environmental, Social and/or Governance screening in the investment process

As Bank Nagelmackers believes that non-financial metrics such as ESG factors are becoming increasingly important to deliver long term value to our clients, it screens all new and potential investments such as listed equities, bonds, funds and ETF's on ESG factors (PAIs) and then uses the findings in the appropriate strategies, based on investors preferences.

The assessment is based on ESG data provided by external providers, brokers, asset management companies and/or our own research. The analysts also use other sources of information through their direct contacts with companies and management teams, other shareholders, brokers and asset management companies. These ESG metrics relating to our investments are monitored on a monthly basis and are accessible to all Nagelmackers portfolio and fund managers.





# SUSTAINABLE STRATEGIES FOR NAGELMACKERS AS FINANCIAL MARKET PARTICIPANT

This section describes the additional firm-level ESG integration approaches that are applied in sustainable strategies (for the time being, promotion of social and/or environmental characteristics only – Article 8 under the SFDR). Of course, the application of ESG integration in sustainable products goes beyond firm-level policies and are dependent on the specific strategy pursued. We therefore refer to the product-specific disclosures for full transparency on the ESG integration approach that is applied.

Within products categorized as Article 8 under the SFDR, prior to taking their investment decision, portfolio and fund managers consider the ESG risks and opportunities of a product (individual investments). In addition to the negative screenings within mainstream strategies, sustainable strategies contain a deeper integration approach, that shall make use of the following strategies:

- Negative screenings based on additional controversial activities
- · Norms based screening
- Integration of ESG factors into investment decisions
- · At least one additional strategy

# Negative screenings based on controversial activities (level two)

Bank Nagelmackers sets clear expectations on corporate ESG management and performance.. Internal guidelines are communicated to asset managers together with accepted exposure ratios, based on the different asset types.

The Bank has a defined position with regards to the investments its Article 8 products will invest in, and to this end performs negative screenings for controversial activities on a quarterly basis. This is done by making use of external data providers (such as MSCI, Refinitiv or ISS). This ensures that companies that conduct business activities that are not in line with the Bank's expectations are excluded within the sustainable mandates or sustainable funds.

The following activities are excluded or restricted:

- · Controversial weapons:
- · Civilian firearms
- · Conventional weapons
- Nuclear weapons
- Tobacco
- · Adult entertainment
- Gambling
- Alcohol

The Sustainability Committee will determine on a periodic basis whether certain company activities pose sustainability risks and decide what action must be undertaken depending on the characteristics of the individual sustainable product such as asset class, investment strategy or client objectives and in line with Bank Nagelmackers' Engagement Policy and Exclusion Policy.

Actions can range from pursuing further engagement efforts such as holding a meeting with investee company management or a board member, seeking dialogue with other stakeholders and thereby allowing the investee company a transition period to allow for improvement or straight exclusion, depending on the Committee's assessment of whether or not the activities can be reconciled with our mission of delivering long term value towards our clients in a sustainable manner.

The Bank uses the World Bank World Governance Index (WGI) to screen countries issuing Government Bonds. To this end, the Bank does not invest in bonds emitted by countries with an instable political regime or where there are manifest violations of human rights.

#### Norms based screening (level two)

Bank Nagelmackers follows the 10 principles set out in the UN Global Compact (UNGC) to ensure that companies that repeatedly violate one or more of the principles, and who do not take appropriate measures to rectify the violation, are excluded from the sustainable mandates and sustainable funds. For sustainable investment solutions, screening against the UN Global Compact is carried out on a quarterly basis. For this purpose, Bank Nagelmackers reviews data made available by the UNGC and engaged third-party data providers.

#### **ESG INTEGRATION**

#### **ESG Corporate Rating**

The assessment of a company's ESG performance is based on an in-house scoring model that evaluates a company taking into account the following criteria:

- Environment: Energy efficiency, efficient water usage, reduction of waste intensity and greenhouse gas (GHG) emissions and environmental innovations, etc.
- Social: Equal opportunities, diversity, work-life balance, employee health & safety, respect for labour laws and human rights, including applying standards for suppliers, the social impact of products and services, etc.
- Governance: Voting rights, executive compensation, independent audit committee, Board independence, Board diversity, shareholder rights, etc.

Our score model has integrated the PAIs metrics that are relevant for our investments.

As the materiality of the different ESG criteria can differ depending on the sector, business activity or company, this will also be reflected in the ESG scoring model and overall assessment of the company. The criteria with the greatest impact on the company's principal drivers and most important financial metrics will have a bigger weight in the ESG scoring model. For example: within IT Software the importance of the S is far bigger than within Utilities, where at its turn the weight of the E-score is far more important.

Potential controversies and impacts will be analysed for each company, enabling us to create potential value by identifying those companies with lower ESG risks and better ESG performance.

#### Country Rating

The assessment of a country's sustainable performance is based on an in-house scoring model that evaluates a country taking into account:

- · Non-financial ESG criteria
  - Environment: Climate policy, ratification of international accords (Kyoto protocol, Paris Agreement), GHG emissions per capita/GDP, extreme weather conditions linked to climate change, etc.
  - Social: respect of human rights, freedom of opinion, freedom of the press, anti-discrimination measures with respect to gender, race, ethnic minorities, etc.
  - Governance: Anti-corruption laws, tax evasion, anti-money laundering laws, involvement in (weaponed) conflicts, military spending, etc.
- the United Nations Sustainable Development Goals (SDG's).

Based on the Sustainable Development Goals, an in-house scoring model has been developed that is based on the following 4 pillars:

- environment and climate;
- · democratic values;
- · health care;
- education.

The internal scores are updated on a quarterly basis.

#### Monitoring and exclusion

Several monitoring tools have been put in place in line with this Policy. These tools are applied to all our sustainable mandates and funds, and monitoring takes place on a monthly basis by the Sustainability Committee. In the event that one of the criteria previously mentioned, or the overall ESG assessment, is no longer compliant with the ESG policy in the sustainable strategy (the specific strategy/ policy of the fund), the Sustainability Committee will then undertake an in-depth analysis of the company (or country) and review previous performance, after which the Sustainability Committee will then decide to exclude or maintain the company (or country) in the portfolio or fund. This decision is of mandatory execution by the portfolio or fund manager. All maintained and excluded companies are listed and documented for transparency and reporting purposes.



#### Best in class

When Bank Nagelmackers applies a best-in-class approach in a sustainable strategy, companies are ranked within their industry (percentile rank) along the Bank Nagelmackers' internal ESG scoring model. The Bank will strive to further exclude companies that rank within the 20% lowest percentilewise in its best-in-class approach.

Government bonds or other government debt issuers are ranked across each other along the Bank Nagelmackers internal ESG scoring model. Issuers that rank within the 30% lowest percentile-wise are excluded from investment.

Product-level disclosures can however include criteria that adopt a stricter approach where more lower-ranking companies or countries are excluded.

#### Best in universe

When Bank Nagelmackers applies a best-in-universe approach in a sustainable strategy, companies are ranked according to their investment universe along the Bank Nagelmackers' internal ESG scoring model. Bank Nagelmackers will strive to further exclude companies that rank within the 20% lowest percentile-wise in its best-in-universe approach. Product-level disclosures can however include criteria that adopt a stricter approach where more lower-ranking companies are excluded.

#### ESG-related thematic focus

This approach encompasses sustainable strategies where the aim is to invest in sectors, industries or companies that are expected to benefit from long-term macro or structural ESG-related trends. As strategies with a thematic focus require a greater allocation to certain types of investments than others, portfolio-level criteria are determined depending on the ESG characteristics that are intended. Characteristics can include exposure to specific industries, sectors and companies in for example renewable energy, or exposure to a specific type of investment such as for instance green bonds.

#### **Impact**

Sustainable strategies with an impact objective seek to generate a positive, measurable social or environmental impact alongside a financial return. The desired outcome, the stakeholders who will benefit from the desired outcome or any target dates are determined on a product-level. Impact strategies can contain a portfolio of investments that all contribute to a single impact objective, or can contain investments that contribute to materially different impact objectives.

#### Other

Sustainable strategies can also include strategies where the objective is to perform better than a benchmark on one or more ESG indicators (e.g. 30% lower GHG emissions or a higher overall ESG score). This type of strategy may contain investment-level criteria and/or portfolio-level ESG criteria and is defined on a product-level.

#### SUSTAINABLE STRATEGY FOR NAGELMACKERS AS FINANCIAL ADVISOR

Bank Nagelmackers has developed a transparent process to assess and select third party funds in its role as Financial Advisor. The Banks' '7P method' ensures that the third party funds complement its own offering. This method consists of considering the following '7 Ps':

- People: The people behind the management
- Philosophy: The philosophy on which management is based
- Process: The process behind the management
- 4. Portfolio construction: The composition of the fund
- 5. Performance: The returns
- 6. Protection: Investor protection
- Principles: The principles for sustainable investment and ESG performance based on PAIs reported by financial market participants

The "P" for "Principles" establishes a process by which Bank Nagelmackers evaluates third party funds according to ESG norms. This is a multi-level (company and product levels) assessment of sustainability in order to place the third party funds into categories. These categories are:

- Traditional Funds which don't take any ESG factors into account in the investment process
- ESG screening Funds which are funds meeting a minimum of ESG factors thresholds for each underlying holding
- ESG Integration Funds which integrate ESG factors into financial analysis and manage ESG tail risk
- 4. SRI Funds which identify holdings based on their ESG practices and sustainable product/services with a positive contribution to returns
- 5. Thematic Funds which focus on a specific theme, such as water or green bonds. Within our external fund selection, Bank Nagelmackers offers fixed income funds that invest in green bonds and social bonds.
- 6. Impact Funds which invest in enterprises (or issues) that offer a solution to one of the world's major environmental and/ or social challenges, such as climate change.

The third party "principles" assessment is based on both publicly available data as well as private data gathered through a questionnaire. All external asset managers have to disclose their policies on sustainable investing, i.e. international sanctions and embargo policy, responsible investing policy, proxy voting policy, human rights policy, compensation policy etc. Nagelmackers will also sent out questionnaires to external asset managers to better understand their responsible investing policy in order to integrate it into our own process. The questionnaire includes topics such as the disclosure of the company's and product's responsible investing policies, SFDR classification, being a signatory of external initiatives such as UN PRI or not, to what extent is sustainability applied to the investment process, external labels, exclusions, proxy voting, etc. At the same time we will initiate a dialogue with external asset managers on compliance with our minimum standards.

For the specific sustainable investment solutions we offer, only sustainable investment managers with a strong sustainable investment process combining an ESG-constrained universe (incorporating additional sectoral exclusions such as tobacco, gambling and armaments...) and an ESG-focused, sustainable themed or impact investment selection, will be eligible. Periodically a re-assessment of the asset manager's investment approach towards sustainability and its policies in place, is performed based on an internal monitoring model and cross-checked against data available from external data providers and/or labelling agencies.

Nagelmackers monitors portfolio holdings on a regular basis based on their ESG ratings and controversy level. We will dialogue with delegated investment managers if ratings fall below our expectations or severe controversies arise. Where appropriate, we then engage with these investment managers over the long term to improve sustainability and manage ESG risk when necessary.

Asset Managers that no longer comply with our minimum standards or who are in breach of their own policies will be removed from our selection of sustainable third party funds.



### 4. PRODUCT LABELLING

The EU SFDR intends to help investors choose between products by classifying funds into three different categories, according to the extent to which sustainability is a consideration. Each category requires binding investment criteria with specific information. These categories correspond to Articles 6, 8 and 9 of the SFDR and are summarized below:

- "Article 6" products integrate ESG considerations into the investment decision-making process, or explain why sustainability risk is not relevant, but do not meet the additional criteria of Article 8 or Article 9 strategies.
- "Article 8" products promote social and/or environmental attributes and may invest in sustainable investments, but do not have sustainability as a core objective.
- "Article 9" products have a sustainable investment objective.

Within Bank Nagelmackers today, products applying mainstream strategies (see section 3: Mainstream strategy) are considered as Article 6, while products following our sustainable strategies (see section 3: Sustainable strategy) are considered as Article 8. Today Bank Nagelmackers does not offer Article 9 products.

To be considered as an article 8 product, restrictions related to the activities outlined above are the minimum criteria to be met for the sustainable strategies.

In addition, a specific sustainable strategy can apply more stringent criteria. Consult the investment guidelines of the respective mandates and funds for more details on each sustainable strategy's restrictions and the ESG methodology applied in the investment process.

# 5. DIVERSITY AND INCLUSION POLICY

Bank Nagelmackers has a dedicated Diversity Policy which outlines its commitment to developing a diverse workforce and a healthy work environment in which every employee is treated fairly and with respect. Bank Nagelmackers' talented and diverse workforce is key to our success in fulfilling the needs of our diverse clients by delivering high quality products and services.

