

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS



1. SUMMARY

Bank Nagelmackers nv (LEI: 549300FOCVELHBU9A156) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Bank Nagelmackers nv.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to

31 December 2022. Reporting over that reference period on the indicators for adverse impacts of Table 1, and any relevant indicators of Table 2 and 3 of Annex I of the SFDR Delegated Act will take place in 2023, following the measurement of the first reference periods (Q1 2022 - Q4 2022). This statement was validated by the Sustainability Committee of Bank Nagelmackers nv in July 2022 and its Executive Committee in August 2022.

2. DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Table 1: Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator	Metric	Impact [year n] ¹	Impact [year n-1] ²	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG Emissions	NA	NA	NA	GHG emissions and carbon footprint combined have a high materiality within environmental factors in Bank Nagelmackers' ESG Scoring Model.
		Scope 2 GHG Emissions	NA	NA	NA	
		Scope 3 GHG Emissions	NA	NA	NA	
		Total GHG Emissions	NA	NA	NA	
	2. Carbon footprint	Carbon Footprint	NA	NA	NA	
3. GHG Intensity of investee companies	GHG intensity of investee companies	NA	NA	NA	GHG Intensity has the highest materiality of all environmental factors in Bank Nagelmackers' ESG Scoring Model.	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	NA	NA	NA	Fossil fuel sector exposure has a high materiality within environmental factors in Bank Nagelmackers' ESG Scoring Model.	
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a medium materiality within environmental factors.	

¹ Bank Nagelmackers has started measuring performance on Principal Adverse Impact as of 31 March 2022. The first results will be published in 2023.

² Bank Nagelmackers has started measuring performance on Principal Adverse Impact as of 31 March 2022. The first results will be published in 2023. The first comparison versus the previous year will therefore be available in 2024.

Greenhouse gas emissions	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a low materiality within environmental factors.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a medium materiality within environmental factors.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a low materiality within environmental factors.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a low materiality within environmental factors.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	NA	NA	NA	Violations of UNGC principles and OECD Guidelines and companies without policies to monitor compliance with these nor grievance/complaints handling mechanisms to address violations are given the highest materiality in Bank Nagelmackers' ESG Scoring Model among social factors.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	NA	NA	NA	Exclusion of companies: more information is available via Bank Nagelmackers' Exclusion Policy.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a medium materiality within social factors.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a medium materiality within social factors.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a medium materiality within social factors. Exclusion of companies involved in the production of controversial weapons or weapon parts (Mahoux Act). More information is available via Bank Nagelmackers' Exclusion Policy .

Indicators applicable to investments in sovereigns and supranationals

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Environmental	15. GHG intensity	GHG intensity of investee countries	NA	NA	NA	GHG Intensity has the highest materiality of all environmental factors in Bank Nagelmackers' ESG Scoring Model.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with the highest materiality within social factors. Exclusion of sovereigns subject to international sanctions or with systematic corruption or severe neglect of basic social and political rights. More information is available via Bank Nagelmackers' Exclusion Policy .

Indicators applicable to investments in real estate assets

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Fossil Fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	NA	NA	NA	NA
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	NA	NA	NA	NA

Additional climate and other environmental-related indicators

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a high materiality within environmental factors.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Social and employee matters	7. Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies expressed as a weighted average	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a high materiality within social factors.
		2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average				
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a high materiality within social factors.

Indicators applicable to investments in sovereigns and supnationals

Social	19. Average freedom of expression score	Measuring the extent to which political and civil society organisations can operate freely including a quantitative indicator explained in the explanation column	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a medium materiality within social factors.
Governance	21. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator explained in the explanation column	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a medium materiality within governance factors. Exclusion of sovereigns with systematic corruption. More information is available via Bank Nagelmackers' Exclusion Policy.
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes	NA	NA	NA	Incorporated in Bank Nagelmackers' ESG Scoring Model with a medium materiality within social factors.
	23. Average political stability score	Measure of the likelihood that the current regime will be overthrown by the use of force using a quantitative indicator explained in the explanation column	NA	NA	NA	Political stability and rule of law scores are incorporated in Bank Nagelmackers' ESG Scoring Model and have the highest materiality within governance factors.
	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column	NA	NA	NA	

3. DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

1. Methodology to identify and prioritise principal adverse impacts

The described methodology that integrates the principle adverse impacts is applied throughout all funds and mandates classified as article 8 or article 9 managed by Bank Nagelmackers, by designation or delegation, as well as Bank Nagelmackers' own investment portfolio in debt and/or equity instruments. While by standard, mandates will follow the methodology, clients have the possibility to opt-out if they explicitly inform us their decision to do so.

Bank Nagelmackers uses several exclusion strategies to avoid investing in issuers that cause principal adverse impacts on sustainability factors through the application of its exclusion policy. In all funds and mandates managed by Bank Nagelmackers, we refrain from investing in companies with any revenue from controversial weapons and sovereigns that systematically violate basic human, social or political rights or are subject to sanctions by the UN Security Council, European Union and US sanctions list. The exclusion policy contains additional activity-based and norms-based exclusions for all SFDR article 8 or 9 products managed by Bank Nagelmackers, such as for companies that breach the UN Global Compact and OECD Guidelines for Multinational Enterprises.

More information is available via Bank Nagelmackers' [Exclusion Policy](#).

Bank Nagelmackers has also developed its own ESG scoring model whereby companies and sovereigns within its investment universe are analysed and ranked based on environmental, social and governance indicators that include the principal adverse impacts. The PAIs are integrated into the ESG analysis through an assessment of the materiality of each indicator based on its relevance in terms of probability of occurrence and severity for each sector or country type (developed vs. emerging), data availability and data quality. Through the indicators and their materiality, each issuer's overall ESG performance is ranked versus its peers into an ESG rating taking into account its company sector, region and size or classification as developed or emerging country for sovereigns. On a product level, both for funds and mandates managed by Bank Nagelmackers, as a minimum standard, exclusions apply to issuers that rank lowest within the product-specific universe. The Sustainability Committee evaluates the results of the ESG ratings on a monthly basis.

Investments in external fund units within funds or mandates managed by Bank Nagelmackers are subject to a due diligence as part of the fund selection process ('7P Methodology'). It includes an assessment of the principles for sustainable investment and ESG performance based on the principle adverse impacts reported by financial market participants. External fund units may contain investments that Bank Nagelmackers would otherwise exclude based

on the criteria above. In these cases, Bank Nagelmackers engages with the external fund provider and strives to find common values.

More information is available via Bank Nagelmackers' [Sustainability Risk Policy](#).

2. Governance

The proprietary ESG ratings are subject to validation by the Sustainability Committee, which takes place on a monthly basis. When a particularly weak rating or deterioration in rating is detected, the committee debates and decides on the appropriate action to undertake. Possible actions range from either excluding the company or sovereign from investment within all or certain types of products. A second action consists of engaging with the company with a specific objective to attain within a well-defined time frame. Finally, the committee can decide to undertake no action at all when the rating is judged not to adequately reflect the ESG performance of the issuer and needs further monitoring.

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 Bank Nagelmackers' products are aligned with these decisions.

The Sustainability Committee has approved this statement on 22/7/2022.

3. Data sources

Bank Nagelmackers uses a combination of different data sources to assess the principle adverse impacts. These sources include third party data providers that are complementary in their methodology or coverage, self-reported company data and information from NGOs. The selection of third party data providers was performed through an extensive RFP process and due diligence that compared several data vendors in terms of data availability, data quality, methodology and relevance for our investment universe. These criteria are evolving and continually improving. As such, the Sustainability Committee will perform periodic reviews of third party data providers in the future to make sure to assure a high-quality assessment of issuers within our investment universe is possible. Bank Nagelmackers will disclose of any data gap on principle adverse impacts when accurate data is not available, while taking actions to obtain them through discussions with the relevant data providers or other sources. As at 30 June 2022, the following table lists an overview of the selected third party vendors.

Table 2: Overview of third-party data sources

Use case	Explanation	Scope	Data source
Corporate ratings	Assessment of a company's environmental, social and governance performance	Investee companies	ISS
PAI	Mandatory and additional principle adverse impacts	Investee companies & sovereigns	MSCI
PAI	Mandatory and additional principle adverse impacts	External fund units	Morningstar
Negative screening - Sanctioned Securities List	Securities sanctioned by the EU, US or United Nations	Investee companies & sovereigns	SIX
Norms-based screening	Assessment of companies' misalignment with or violations of individual global norms and conventions including the United Nations Global Compact Principles (UNGC), the International Labour Organization's (ILO) conventions and the United Nations Guiding Principles on Businesses and Human Rights	Investee companies	MSCI
Activity-based Controversies	Screening of a business' involvement in controversial activities, including alcohol, gambling, tobacco, adult entertainment, defense & weapons	Investee companies	MSCI
Sustainable Development Goals	Measurement of a country's relative performance across each of the UN Sustainable Development Goals (SDGs)	Investee sovereigns	Refinitiv
Sustainable Development Goals	Measurement of a company's relative performance across each of the UN Sustainable Development Goals (SDGs)	Investee companies	Morningstar
Corporate governance	Data, analysis and recommendations on a companies' corporate governance	Investee companies	ISS

4. ENGAGEMENT POLICIES

Bank Nagelmackers is convinced that engagement with investee companies to improve ESG practices is essential to preserve and enhance the value of our clients' assets. Engagement can be performed individually or through collaborative engagement initiatives. Individual engagement is targeted at external asset managers for third-party fund holdings and small companies with a local anchorage in the Belgian market.

Bank Nagelmackers has determined targeted themes for engagement that are aligned with our investment strategies that consider the principle adverse impacts:

- **Environmental:** focus on climate change and reduction of GHG emissions (PAI 1-6) and companies without carbon emissions reduction initiatives
- **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.

Bank Nagelmackers is also signatory and participant of the CDP Main Campaign. Wherever material issues present and priorities are aligned, we are open to join efforts with other stakeholders or investors.

More information is available via Bank Nagelmackers' [Engagement Policy](#).

5. REFERENCES TO INTERNATIONAL STANDARDS

Bank Nagelmackers is a signatory of the United Nations Principles for Responsible Investment (UN PRI). The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of environmental, social and corporate governance issues to investment practices. ESG issues form an integral part of our fiduciary role to act in the best long-term interest of our beneficiaries. Bank Nagelmackers is also a Carbon Disclosure Project (CDP) signatory. Through this collaborative engagement initiative, companies are requested to disclose data on their environmental impact.

1. Gender diversity

Bank Nagelmackers is a signatory of the Women in Finance charter, an initiative to improve gender diversity and equal opportunity in the financial sector. As a signatory, Bank Nagelmackers is committed to measure the glass ceiling within its organization and establish an action plan to improve gender diversity and inclusion within the organization. This commitment extends towards our assessment of investee companies through material indicators as equal pay and board gender diversity in our ESG Scoring Model.

Link to principal adverse impacts: PAI 12 (Unadjusted gender pay gap) and PAI 13 (Board gender diversity).

2. UN Global Compact, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights

Bank Nagelmackers screens investee companies on norms based on the UN Global Compact (UNGC), the OECD Guidelines for Multinational Enterprises, the International Labour Organization's (ILO) conventions and the United Nations Guiding Principles on Business and Human Rights. Companies that fail compliance with the UNGC are excluded from investment, while companies on a watch list warrant ongoing monitoring until further information reveals whether or not one or more controversy cases constitute a breach of the Global Compact. The norms-based exclusions contribute to an exclusion list that is updated each quarter. Relevant data sources include the MSCI ESG Global Norms Screening.

Link to principal adverse impacts: PAI 10 (Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and PAI 11 (Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises).

6. HISTORICAL COMPARISON

The first historical comparison will be available in June 2024.