Fund Engagement Policy

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Table of Contents

1. SCOPE

This document details the Fund Engagement Policy (hereafter "FEP") used by Bank Degroof Petercam SA (hereinafter referred to as "BDP") including its Belgian, Luxembourg, and French 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.
This policy will be reviewed annually or when significant changes require it. Executive Committee will review a new version.

2. ENGAGEMENT

1. Why engage?

As an investor in third-party funds on behalf of its clients, BDP accepts it has the responsibility to express its opinion on the management of these funds and make its voice heard. BDP will, therefore, not hesitate to speak up to urge fund managers in which it invests to be managed according to best practices. ***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 best practices are respected.

2. When to engage?

BDP does not directly influence on the underlying investments made by the fund managers of the third-party funds it selects. Some of these funds invest in instruments that would be excluded were they to be analyzed as direct lines per the bank's Global Sustainable Investment Policy (GSIP)[1].

The GSIP describes the bank's screening process that results in the exclusion of instruments that do not comply with the Controversial Weapons, Tobacco, Gambling, Adult Entertainment, Global Compact, Controversies, and Governance checks defined by the policy. These instruments are referred to here as excluded direct lines.

For funds that are part of the Convictions List[2] or part of Patrimonial Funds, we apply a ***look-through method***[3] and look for excluded direct lines. If we identify such exclusions, we will engage with the fund manager.

In addition, the Third-Party Fund Group Committee (TGC) may also commission an engagement on any situation other than the one described above.

3. Who engages?

The Third-Party Funds (TPF) team organizes an annual fund engagement round as part of its monitoring process.

Also, upon the regular review of their holdings in third-party funds, the Private Banking Portfolio Construction Committee (PPC)[4], the Fund Management Department for Patrimonial funds, the Private Banking Portfolio Management Team Meeting (PBPMTM)[5], or any other department within BDP can ask the TGC to engage with some funds. The TGC in turn, delegates the responsibility to engage with external funds to the TPF team of fund analysts.

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1 The Global Sustainable Investment Policy can be found here.
2 The Convictions List is the list of instruments that the Selection Committees have approved.
3 For a detailed description of the ***look-through method***, please refer to the GSIP.
4 The PPC builds the Model Portfolios used in our DPM and Advisory Mandates.
5 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.

4. How to engage?

Whenever it appears an engagement with an external fund is needed, a formal message will be sent to the fund issuer:

1. A formal postal mail signed by both the Head of Investments and/or the Head of DP Fund Management and the Head of the TPF team.
2. An email from the dedicated TPF analyst.

This message will comprise the following items:

3. The explicit message that the fund under consideration is breaching the GSIP of the bank.
4. The extract of the policy that has triggered the engagement.
5. The bank believes it is fair to apply such a policy.
6. A formal request for the external fund provider to give us his feedback on the 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 TPF team will send reminders, but if the external fund provider still doesn't react, the fund analyst will propose to the TGC that the fund under consideration be excluded. The TGC can either accept the proposal or require further action by the Head of Investments or escalate the engagement to the Responsible Banking Steering Group (RBSG)[1]. 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 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 fund analyst will propose to the TGC that the fund under consideration be excluded. The TGC can either accept the proposal or require further action by the Head of Investments or escalate the engagement to the RBSG.
- ***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 the fund analysts will monitor whether the fund respects its commitment. If the fund hasn't complied within the engagement cycle (1 year), the proposal to exclude will 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 the outcome of our analysis. The feedback of the fund provider will then be brought to the TGC by the fund analyst in charge. 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 TGC, in this case, can be twofold:

  a. The arguments of the external fund provider convince the TGC => 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 TPF team informs the RBSG of the arguments of the fund provider. The RBSG can consider these arguments when it reviews the exclusion policy.

  b. The TGC remains unconvinced by the arguments of the external fund provider => the TGC can either decide to either exclude the fund or require further action by the Head of Investments or escalate the engagement to the RBSG.

[1] The Responsible Banking Steering Group ("RBSG") aims to steer the overall ESG and Sustainable Finance agenda of BDP.

The exclusion of a fund for one of the reasons mentioned above has the following consequences: (1) the fund is removed from the Convictions List and moves to the Holding List[1], (2) the fund's ESG SFDR Category will be labeled "non-ESG". As a reminder, "non-ESG" instruments cannot represent more than 10% of an art 8 product.
All decisions regarding the outcome of the engagement process are discussed and included in the minutes of the TGC.

4. MONITORING

The Third-Party Funds (TPF) team 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 TPF Conviction List (look-through method)

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

- An engagement history 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.

The TPF team will report once a year on a no-name basis on its activities (number of engagements started, waivers…) to the RBSG. That report will be available for Degroof Petercam's overall Non-Financial Report.

5. REFERENCES

Type	Link
Policy	Global Sustainable Investment Policy

6. ROLE AND RESPONSIBILITIES

	Business	Compliance	Risk
Policy	R, A	C, I	C, I

R Responsible   A Accountable   C Consult   I Inform

[1] The holding list is reviewed 2x a year.