

Engagement policy



Document history

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I. Introduction

The purpose of this document is to describe the approach and engagement process of BLI - Banque de Luxembourg Investments (BLI). As a signatory of the United Nations Principles for Responsible Investment (UN PRI) in 2017, BLI views its approach to sustainable and responsible investment as an evolving and ongoing process. BLI therefore anticipates that its strategy will continue to be developed as progress is made in this area, in order to appropriately reflect its approach to environmental, social and governance (ESG) criteria and engagement.

Due to the long-term "Business-Like Investing" approach, the integration of ESG factors is essential in the selection process and the conviction-based management of investments. BLI closely monitors the strategy, performance, financial and extra-financial risks, and ESG aspects of all the companies in the portfolios throughout the investment period.

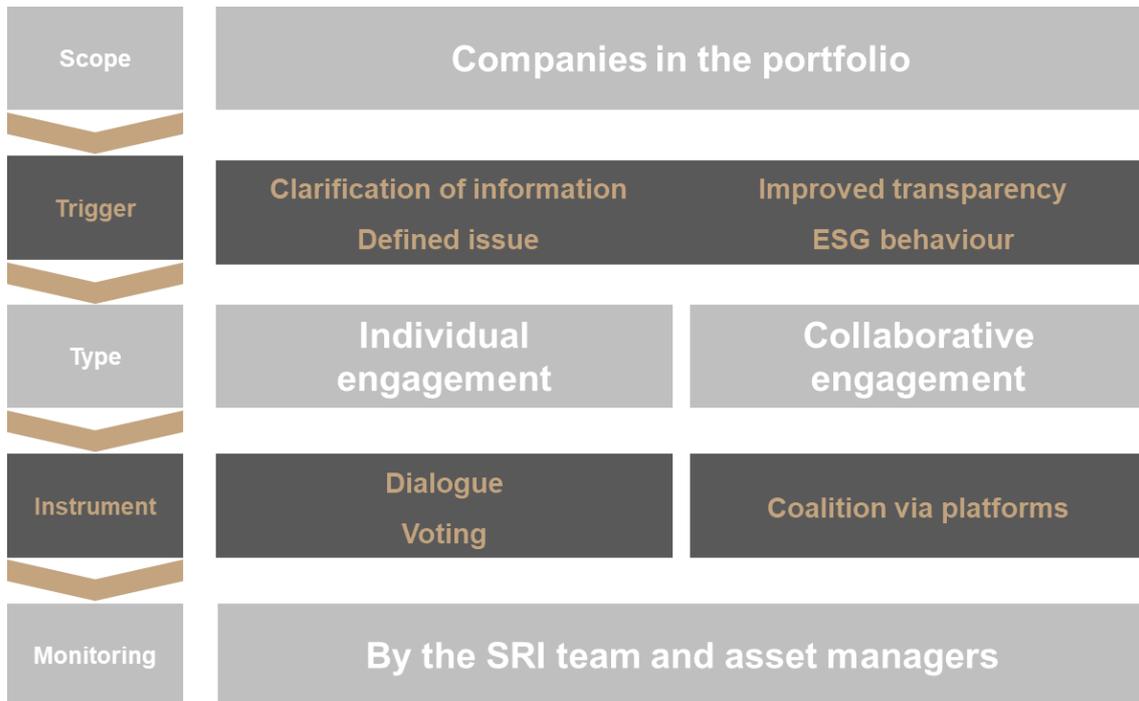
BLI's objective is to invest in high-quality companies. Engagement with the investee companies can have a positive impact on both their performance and on society. This engagement takes the form of a constructive dialogue on ESG risk management and growth opportunities associated with challenges linked to sustainable development. Through its efforts, BLI seeks to improve ESG-related disclosure, encourage companies to adopt best practices and align with international standards such as the United Nations Global Compact (UNGC). All the stakeholders, especially investors and investee companies, benefit from ESG engagement.

BLI's engagement approach and process have been defined, and are updated and monitored, in accordance with the applicable laws and regulations.

II. Scope

This engagement policy applies to all portfolios for which BLI acts as manager. The portfolio manager may also consider whether to apply BLI's engagement policy to portfolios other than those defined in the above scope.

III. Engagement process



Engagement process - the different elements and steps are described below

IV. Engagement approach

Asset classes

BLI invests in equities, bonds and investment funds.

At the date of this policy, BLI's engagement efforts are mainly concentrated on the equity component since a shareholder has the right to vote in general meetings and therefore has a direct influence through dialogue on the ESG strategy decisions of the companies in which BLI invests.

For bonds, the approach is necessarily different because creditors do not have voting rights at general meetings. Dialogue can be initiated at the time the bond is issued or reissued and influences the investment decision.

In multi-management (investing in investment funds), initiatives have been introduced on funds of funds that have an ESG focus. The BLI fund managers identify the lowest-rated underlying companies and establish a dialogue with the target fund managers.

For both equities and bonds, engagement is triggered when there is a need for clarification of information or transparency, when poor behaviour to sustainability issues is identified, or when an engagement campaign is launched on a defined issue.

All these actions are conducted by the relevant asset managers and the BLI SRI team.

V. Types of engagement

The decision to use an individual or collaborative engagement strategy is partly determined by:

- the influence that BLI is able to exert on a company due to its level of ownership, duration of ownership, proximity to management, and the geographical location of the company;
- evaluation of the incident: e.g. the urgency and seriousness of the issue based on the number of stakeholders affected, media coverage of the incident, involvement of NGOs, and the level of financial and reputational risk associated with the incident.

Individual engagement

Individual engagement involves direct contact with the company. BLI's long-term approach enables it to monitor and understand the ESG challenges faced by investee companies. Individual engagement at BLI involves a number of steps: identifying the target company and the trigger for engagement, initiating dialogue with those most likely to respond, closing the engagement and reporting it in the monitoring tool and the annual engagement report.

Targets are identified on the basis of their sustainability practices, controversies affecting them, and defined issues such as ESG disclosure. Precise targeting is essential to maximise the chances of successful engagement and tangible sustainability impact, which is the primary objective. Once identified, preliminary contact is made and then followed up as necessary.

BLI keeps a documentary record of all engagements, including the result obtained and an evaluation of the response (i.e. satisfactory, partially satisfactory, unsatisfactory or no response). This file allows the SRI team and asset managers to monitor the progress of companies and determine whether further action is required as part of the engagement.

Failure of the dialogue¹ within 12 months of the engagement being triggered, depending on the substance of the issue, may result in the company being placed on an internal watch list and the matter being discussed at the BLI SRI Committee. This committee decides on the most appropriate action to be taken (such as further engagement, adjustment of the security's weighting or its sale).

Where necessary and appropriate, BLI will submit resolutions to general meetings in the best interests of investors and the desired impact.

Collaborative engagement

Collaborative engagement means cooperating with other shareholders in the company via engagement platforms: sending a signed letter, for example, and working together to achieve greater impact. BLI sees collaborative engagement as one of the most promising opportunities in terms of impact.

As with individual engagement, BLI targets initiatives that it considers are most relevant in terms of substance and impact. However, as an asset management company, it does not engage in shareholder activism on behalf of its clients.

¹ Dialogue failure may include a lack of response or inability to reach a satisfactory outcome, for example.

VI. Voting

BLI believes that exercising its voting rights is an important way of expressing its active management and responsible investing approach.

The general voting guidelines encourage high standards of corporate governance. They also encourage transparency and accountability on environmental and social issues.

The voting policy can be found [here](#).

VII. Communication with stakeholders

BLI is committed to being transparent with stakeholders about its engagement efforts. It publishes an annual engagement and voting report that includes:

1. the manner in which the engagement policy is implemented
2. a general description of its approach to voting
3. an explanation of the most important votes
4. the use of voting advisers
5. how votes were cast at general meetings.

The annual report is made available to stakeholders by publication on BLI's website.

More information on BLI's sustainable and responsible investment approach can be found [here](#).

VIII. Special case: Conventum Third Party Solutions

In cases where BLI, operating under the trade name of Conventum Third Party Solutions (Conventum TPS), delegates the management of one or more managed undertakings for collective investment (UCI) to an external portfolio manager, it systematically delegates to the delegated manager the power to exercise the voting rights attached to the instruments held in the portfolio of the managed UCI.

The investment strategy and the investment policy of the managed UCIs are set by the board of directors of the UCIs and implemented by the third party manager to whom the portfolio management, including exercise of the voting rights attached to the instruments in the portfolio, has been delegated.

In this context, BLI / Conventum TPS does not impose its own engagement policy on these delegated managers. Likewise, information on the implementation of the engagement policy will not be available on its website, in accordance with the EU Directive 2017/828 of the European Parliament and the Council of 17 May 2017.

Following an agreement between BLI and the delegated managers, the engagement policy and annual information on the implementation of the engagement policy, or alternatively a clear and reasoned explanation of why the delegated manager has chosen not to comply with one or more of these requirements, will be published by the third party managers to whom the portfolio management of the investment funds has been delegated.

BLI will monitor the proper implementation of these contractual provisions during the periodic due diligence analysis it carries out on the delegated managers. In the context of the exercise of voting rights by the delegated portfolio manager, BLI will also ensure compliance with obligations in terms of managing conflict of interest and reporting.

IX. Publication and updating of the policy

This policy will be amended when necessary, in accordance with legislative and regulatory developments in this area. In any event, the policy will be reviewed at least annually.

The policy is available to:

- BLI staff
- investors in the UCIs managed by BLI through publication on BLI's website
- the CSSF on request.

Pursuant to the regulations, details of the measures taken on the basis of the policy can also be made available to investors, on request and free of charge.

X. Regulatory context

This policy has been established in accordance with

- the Luxembourg Law of 1 August 2019 amending the amended law of 24 May 2011 concerning the exercise of certain rights of shareholders at general meetings of listed companies for the purpose of transposing Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, which transposed into national law Directive (EU) 2017/282 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement. (Text with EEA relevance)
- Commission Implementing Regulation (EU) 2018/1212 of 3 September 2018 laying down minimum requirements implementing the provisions of Directive 2007/36/EC of the European Parliament and of the Council as regards shareholder identification, the transmission of information and the facilitation of the exercise of shareholders' rights.

XI. Conflicts of interest

BLI's engagement and voting are focused on promoting and protecting the interests of its clients as investors in companies.

BLI recognises that potential or actual conflicts of interest may arise in the course of its engagement and voting.

BLI has defined policies, procedures and protocols to identify and manage them.

BLI's Conflicts of Interest Policy is available on request from: compliance@bli.lu