

The purpose of this commitment policy is to document the measures taken to ensure that shareholders' commitments are incorporated into the Banque de Luxembourg investment strategy. The contents will be revised and updated if necessary.

1. Company monitoring

Protecting capital and delivering consistent long-term performance are core management principles for Banque de Luxembourg. Our management style is conservative, prudent and responsible.

When we invest in a company, we act as if we were buying the company outright. We are extremely selective in our investment process and apply conviction-based management principles.

Securities are selected for the equity component using the "Business-Like Investing" approach. As such, we think of our investments as participating interests in companies with a long-term investment horizon. This means that we seek out high-quality companies that have a sustainable competitive advantage and offer high levels of profitability and surplus cash. Predicting short-term financial market fluctuations tends to be a fruitless exercise. Conversely, company fundamentals shape stock market prices in the long run.

We assess criteria such as the risk incurred when buying a participating interest in a company, the strategy pursued by the management team and the capital structure before making any investments.

Alongside financial criteria, new research into ESG (environmental, social and governance) factors has enabled us to expand the scope of our fundamental financial research and deepen our knowledge of target companies by taking non-financial criteria into account. This non-financial research can reveal risks that would not have been identified through the standard financial approach.

Expanding our research to include ESG factors is therefore a natural progression for our investment methodology. Our goal remains achieving above-average risk-adjusted returns through a bottom-up approach and in-depth analysis of target companies. The ESG framework provides us with an extra tool we can use to achieve these investment aims.

Most of the capital in our discretionary management mandates is invested in funds managed by BLI - Banque de Luxembourg Investments (BLI), which is a fully owned subsidiary of Banque de Luxembourg. At present, investment in direct lines accounts for a little under 5% of such assets. BLI has been a signatory of the United Nations Principles for Responsible Investment since 2017. This commitment is based on the six principles for responsible investment, with a specific focus on ESG matters.

We firmly believe that analysing all potential risks, whether financial or non-financial, enables us to make more informed investment decisions and so generate sustainable returns. ESG questions are useful extra tools we can use to decrease the risk level of our portfolios. They provide us with a different perspective and additional data on target companies.

A management solution focused on socially responsible funds was created in late 2018 to once again bring to the foreground non-financial criteria relating to companies.

2. Communicating with the companies in which we invest

We communicate with the companies in which we invest via various channels:

- Attendance at roadshows
- Telephone calls when earnings are reported
- Companies' financial statements: annual reports, Investor Days, quarterly/half-yearly presentations
- Indirect channels such as broker studies

3. Exercising voting rights and other rights attached to shares

The positions held in our portfolios represent a small portion of each company's capital structure. To limit the financial costs incurred, we have decided not to exercise our voting rights. However, we reserve the right to vote if doing so is necessary to protect the interests of shareholders. The key principle of the BLI voting policy is to serve the long-term interests of investors through its investment strategies. BLI receives external advice from a proxy voting service provider. More information is available via this link: [BLI voting policy](#)

4. Cooperating with other shareholders

This size of the positions in our portfolios relative to the stock market capitalisation of the companies in question naturally limits our potential influence and the effectiveness of forming a coalition with other shareholders. We would consider the option of collaborating with other shareholders where applicable, though, if doing so would be in the best interests of shareholders.

5. Communicating with relevant players at companies in which we invest

Our teams' primary focus is selecting and monitoring companies. Communicating with relevant players at companies in which we invest, although not our standard practice at present, is an option that could prove useful as a way to shed light on the strategy and governance of the companies in the portfolio.

6. Managing real and potential conflicts of interest as regards our commitment

The main measure taken to avoid conflicts of interest is to ensure that fund managers act in clients' best interests and not their own. The Bank's policy for managing conflicts of interests determines the effective organisational and administrative provisions implemented in view of taking reasonable measures to ensure that its clients' interests are not affected by conflicts of interest. Every Bank employee is familiar with the code of ethics and is duty-bound to strictly comply with all rules set out therein.

Banque de Luxembourg will publish an annual report on the implementation of the commitment policy.