DEGROOF PETERCAM ASSET MANAGEMENT

2022

TCFD REPORT

REPORTING IN ACCORDANCE WITH THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTENTS

I. EXECUTIVE **SUMMARY**

1. STATE OF AFFAIRS

2022 was branded and characterized by the covid-19 aftermath, war in Ukraine, and a disappointing climate summit (COP27). Although significant physical climate events hit thousands of people, urging governments to step up their climate ambitions, COP27 was overshadowed by multiple crises. The covid19 aftermath and war in Ukraine triggered global inflationary shocks, food worries, energy shortages as well as increased geopolitical uncertainty, protectionism and a multi-polar world order, 2022 spikes in O&G prices (and issuers' valuation) and a revamped coal focus are triggering significant concerns for climate ambitions across all regions. All these events significantly impact(ed) economic activities and hence investors around the world. Furthermore, they might increase the likelihood of delayed, rapid policy responses. To mitigate climate risks, DPAM initiated the implementation of the TCFD recommendations back in 2019 and during 2022, we enhanced our approach and integrated climate-related risks & opportunities further in our investment decision making processes.

On all levels, from governance to metrics and targets, we continued our efforts to identify areas of improvement based on best practices and internal research. From a governance and policy perspective, we **initiated dedicated online and in person training on various climate topics**, both for internal and external audiences, ranging from TCFD recommendations and climate risk assessments at issuer level, to EU Taxonomy and Net Zero. Furthermore, we continued our efforts to **revise our voting policy and prepare for upcoming Climate Resolutions** or so-called Say-on-Climate votes. A new framework was implemented with follow-up via formal engagement letter, detailing our voting behaviour and considerations. On the research side, we continued our approach to assess the most carbon emitting positions in our investment portfolios and **implemented a process for formal outcome reviews and follow-up**.

From a risk management perspective, **throughout 2022 we enhanced our 2021 TCFD Dashboard** to assess risk and opportunities exposure at DPAM level by integrated additional data sources such as science-based target setting and internal climate risk assessment coverage.

On the metrics & targets front, to conclude, we are **expanding our metrics reporting capabilities for specific clients and by preparing for the SFDR reporting obligations** which include disclosure on climate-related principle adverse impact indicators. From a target setting perspective, a Net Zero feasibility study, initiated in 2021, has been finalized during Q2 2022, followed by a validation of our **portfolio-linked Net Zero target setting** approach during Q4 2022. Furthermore, **all SFDR-classified article 8+ or 9 funds include a climate-related KPI (target)** in their investment approach.

II. PREAMBLE

1. DPAM, AN EXPERIENCED SUSTAINABLE INVESTOR

DPAM has been developing credible responsible investment solutions for several years now, based on long-term expertise of over 20 years.

As of 31 December 2022, DPAM is managing approximately EUR 42 billion (gross AuM). All our investment strategies integrate environmental, social and governance criteria in the investment decision making process. The integration of sustainability in our investment decisions starts from a single-minded conviction: foster a sustainable long term economy. The sustainable investment strategies, totalling approximately 49% of all AUM (dd. 31.12.2022), are built upon a specific, threefold commitment:

- defend the basic and fundamental rights, i.e. Human Rights, Labor Rights, Fight against Corruption and Protection of Environment;
- express an opinion on controversial activities, i.e. no financing of usual suspects, defining a clear controversial activity policy & engagement on controversial issues, and avoid controversies that may affect reputation, long term growth and investments.
- be a responsible stakeholder and promote transparency, i.e. bring sustainable solutions to ESG challenges, and engage with companies to promote best practices and improvements.

2. CLIMATE CHANGE RISKS ARE ON THE RISE… WITH GEOPOLITICS FUELING THE DEBATE

Over the past decade, the impact of climate change on society has become significantly more severe. Unfortunately, 2022 was yet again marked by record droughts, heatwaves, forest fires, floods and a record low level of the Antarctic sea ice. Even in January 2023, months after unprecedented floods ravaged Pakistan, the country is still suffering as vast amounts of croplands and villages remain under water. Simultaneously, covid19 aftermath and war in Ukraine triggered global inflationary shocks, food worries, energy shortages as well as deglobalization. Recent spikes in O&G prices (and issuers' valuation) and a revamped coal focus are triggering significant concerns for climate ambitions across all regions and its balance with energy security.

And although COP27 followed these events, the 27th climate summit was clearly impacted by the geopolitical situation and therefor remarkably consistent with previous editions in that it was yet again characterised by a lack of ambitious pledges and commitments:

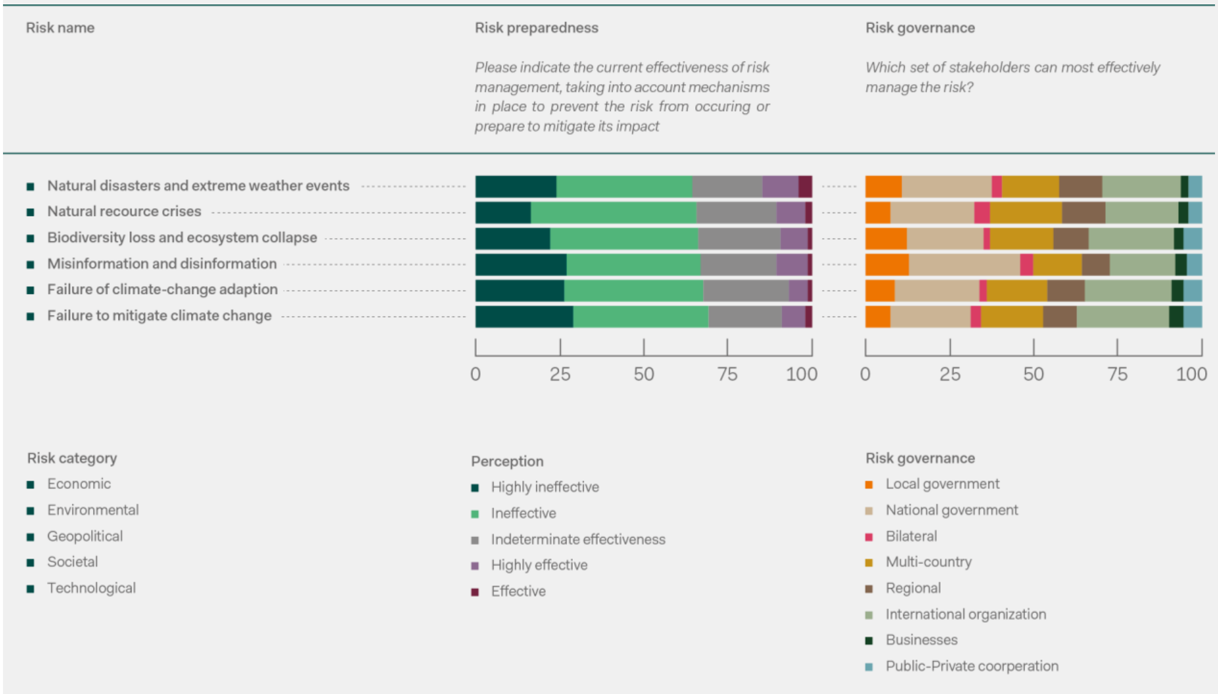
- We are still not on track for a 1.5°C (or even below 2°C) scenario, quite the opposite in fact according to the most recent **IPCC AR6 Synthesis Report**.
- Neither fossil fuel phase-down or phase-out commitments (even when excluding 'abated' coal from the commitment), nor commitments on peaking emissions by 2025 reached the final text of the climate summit.
- National transition financing commitments are still lagging.
- No progress was made on Article 6 of the Paris Agreement: the international carbon market.

Some positive news reached us however, as a deal was reached to create a fund for climate disaster relief and climate resilience financing was officially put on the IMF and World Bank agenda.

But overall, it's crucial that high income countries quickly understand that a loss and damage fund, the major milestone of COP27, will only be financially viable if we keep global warming to 1.5°C. This means strengthened reduction targets and a phase-out of fossil fuels. Climate mitigation and climate adaptation are connected and fundamentally intertwined, when will the developed world finally get this?

While writing this report, the World Economic Forum released its **Global Risks Report 2023**. And although environmental and climate risks ranked again on top in terms of both short and long term severity (respectively 2- and 10-year period), the message was clearly not grasped at COP27. Respondents were however not overly optimistic on the risk preparedness to mitigate and adapt to climate change, nor for the other environmental risks:

Perceptions around preparedness and governance

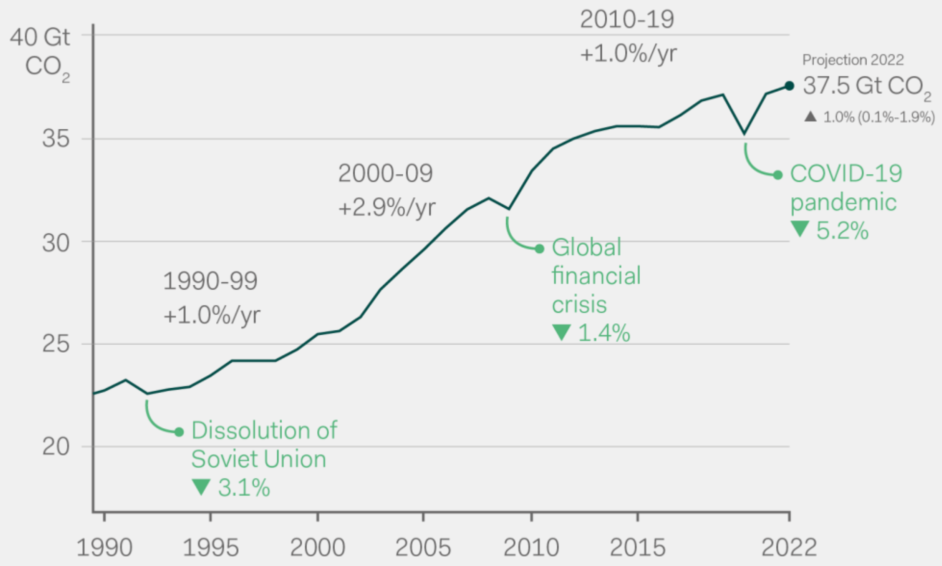


Source: World Economic Forum Global Risks 2022-2023. Perception Survey 2022-2023

To keep global warming below 1.5°C, in order to avoid disastrous impacts like massive droughts, floods and a decline in agricultural yields (stressed once more in the IPCC Working Group II report), the current pace of the emissions reduction efforts need to quintuple according to the Emissions Gap Report 2018 of the UN Environment agency. According to the Global Carbon Project an estimated CO2 emissions cut of 1 to 2 billion tonnes per year, from 2020 until 2030 is even required to limit global warming in line with the goals established in the Paris Agreement, with the global carbon budget to keep global warming below 1.5°C faded away in 9 years.

And we're still not heading the right direction, as estimates indicate 2022 global carbon emissions increased by 0.8%. It should however be noticed that total CO2 emissions remain below 2019 highs. Furthermore, discrepancies between regions can be observed, with emissions in the EU and China to decrease, while emissions in the US and India increased.

Global CO2 emissions MtCO2 per day to December 2022



Source: Global Carbon Project (2022)

Fossil CO2 emissions in 2021 and 2022 by region

Region / Country	2021 emissions (billion tonnes/yr)	2021 growth (percent)	2022 projected emissions growth (percent)	2022 projected emissions (billion tonnes/yr)
China	11.5	+5.0%	-0.9%	11.4
USA	5.0	+6.5%	+1.5%	5.1
EU27	2.8	+6.8%	-0.8%	2.8
India	2.7	+11.1%	+6.0%	2.9
All others	15.1	+4.5%	+1.7%	15.4

Source: Friedlingstein et al 2022; Global Carbon Project 2022

Climate-related physical and transition risks and opportunities are still on the rise. The most well-known regulatory mitigation measure on the market, the European Emissions Trading System, even reached an all time high of EUR 98/ton in August 2022.

In line with our threefold commitment, we believe that the climate-related challenges we are facing today need to be properly taken into account in our investment decision making process, since they can pose significant risks to our investments and society at large.

3. INTEGRATING CLIMATE CHANGE FACTORS: DPAM'S FIDUCIARY DUTY AND AMBITION FOR CONTINUOUS IMPROVEMENT

As a long term responsible investor, DPAM acknowledges its unique position to contribute to the fight against climate change and support the Paris Agreement on Climate Change. Hence, in November 2018, DPAM welcomed the recommendations of the Task force on Climate-related Financial Disclosure (TCFD), an initiative led by the Financial Stability Board, to promote more informed investment, credit, and insurance underwriting decisions as we strongly believe it will enhance our investment processes and decisions. Furthermore in 2022, as part of our fiduciary duty, DPAM formally committed to the Net Zero Asset Managers initiative (NZAMi), an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. More information on the initiative can be found further down the report, in the section VI. Metrics & Targets.

By integrating climate change risks and opportunities in our investment decision process, we try to assess the impact of climate change on our investments, and at the same time assess the impact of our investments on climate change. Supporting the TCFD recommendations and improving disclosure in essence means contributing to the fight against climate change and at the same time providing our investors with adapted investment solutions and relevant information concerning climate risks and opportunities. In other words, we truly believe it is an inherent part of our fiduciary duty to integrate the TCFD recommendations.

However, as stated by the Principles for Responsible Investment, the integration of the TCFD recommendations into investment decision making is a complex process, a process of 'learning by doing'. At DPAM, we see the implementation as a step-by-step approach, which is driven by our ambition of continuous improvement. That is why, during this journey, it is our desire to be as transparent as possible and highlight with humility the steps we have already taken, whilst at the same time express our ambitions and acknowledge areas for future improvement.

In this document, we describe our approach to manage climate-related risk (i.e. identification, integration and mitigation) and seize opportunities (i.e. supporting the transition and financing solutions and innovations). We provide an overview of actions taken and highlight some of the evolutions achieved throughout 2022.

We truly hope you will find this document enriching and insightful.

Enjoy the read!

The TCFD Steering Committee

Peter De Coensel *CEO & Chairman of the TCFD Steering Committee*	**Ophélie Mortier** *Chief Sustainable Investment Officer*	**Sam Vereecke** *CIO Fixed Income*	**Johan Van Geeteruyen** *CIO Fundamental Equity*	**Pierre Reymond** Risk Manager
Philippe Denef *CIO Quantitative Equity & Asymmetric Management*	**Jeroen Sioncke** *Head of Risk Management*	**Michael Oblin** *Head of Credit Research*	**Ivo Dierick** *Head of Equity Research*	
Koen Bosquet *Portfolio Manager Fundamental Equity*	**Ronald Van Steenweghen** *Portfolio Manager Fixed Income*	**Gerrit Dubois** *Responsible Investment Specialist*	**Olivier Van Haute** *Head of Global Balanced Fund Management*	

III. IMPLEMENTING **THE TCFD RECOMMENDATIONS**: INTRO

1. OBJECTIVE OF THE TCFD RECOMMENDATIONS

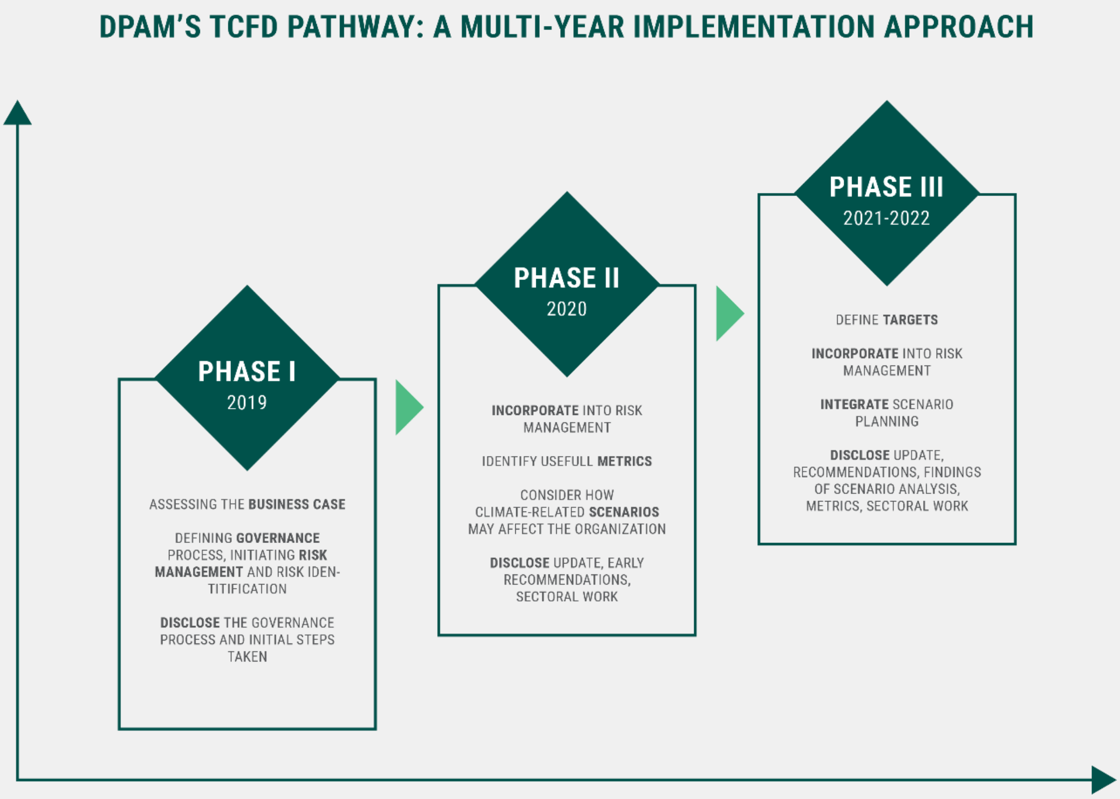
The TCFD recommendations were published with the aim to enhance climate-related financial disclosure, by providing a framework for disclosing the integration of climate-related risks & opportunities in investment decision making (see Annex I). The framework is built on four pillars:

- Governance: focuses on board oversight and the role of management.
- Strategy: focuses on the process for risk identification, its link with asset allocation & performance assessment and the use of scenario analysis to assess resilience of an investment strategy.
- Risk Management: includes risk materiality assessment, data identification and use, risk measurement and prioritization.
- Metrics & targets: focuses on the use of metrics to understand and manage risks and opportunities.

So how are climate-related risks and opportunities managed and integrated by DPAM and does our approach comply with the TCFD framework?

2. DPAM'S APPROACH

As mentioned by the Principles for Responsible Investment (PRI), the implementation of the TCFD principles is a multi-year process. DPAM's TCFD process started in 2019, year one, which serves as our baseline year. During 2022, we enhanced our approach in line with the recommendations and are gradually moving towards the targets defined in year three, the most ambitious level.



Source: PRI

In the next sections, and in analogy with our previous report, DPAM's implementation approach for the year 2022 is explained in accordance with the four pillars of the Task Force on Climate-related Financial Disclosures. Established responsibilities, approaches, procedures, etc. from the previous years (i.e. 2019-2021) will be listed in this 2022 report when they are still applicable. Phase IV, starting in 2023, will continue to leverage upon the work from phase III.

IV. GOVERNANCE

All DPAM's investment activities are steered by the **Management Board**. It is no different for our climate change strategy and risk management process. As such, the Management Board keeps an oversight of the progress we make in terms of integrating the TCFD recommendations.

The **Responsible Investment Steering Group** (RISG) oversees the implementation of DPAM's mission statement with regard to Responsible Investment and consists of 12 investment professionals, of which our CEO and representatives from different teams (research, portfolio management, responsible investment competence center, RfP, strategy and legal). The RISG is both the pioneer and the guardian of the coherence, consistency and credibility of DPAM's investment processes in light of our strategic commitment toward Responsible Investing and hence is also actively involved in the implementation process of the TCFD recommendations. The RISG gathers on a monthly basis and directly reports to the Management Board.

Furthermore, the **Responsible Investment Competence Center (RICC)** manages our sustainable activities on a daily basis. The RI Competence Center, headed by our Chief Sustainable Investment Officer Ophélie Mortier and supported by five additional full-time ESG specialists, is in charge of the coordination of all initiatives, methodologies and projects related to ESG. Our CSIO reports directly to DPAM's Management Board and to the CEO of DPAM.

To steer the TCFD implementation process, a committee of investment professionals was set up. The **TCFD Steering Committee** is chaired by our CEO and consists of several Board and RISG members (incl. the CIOs equities and fixed income), next to the heads of research equities and fixed income). To align activities within the group Bank Degroof Petercam, some colleagues from other branches (group, private banking, corporate communication) are joining the Committee meeting. A detailed description of the roles & responsibilities of the committee, validated by DPAM's Management Board, can be found in Annex II.

In addition to the above actions and responsibilities of the TCFD Steering Committee, the **RICC** remains the guide in identifying new tools, techniques and sources to facilitate the implementation process, by providing support to portfolio managers and analysts during the integration of climate-related metrics into their assessments and by steering different types of climate-related engagement activities. To track progress on the implementation of the TCFD recommendations, the RICC developed and manages a monitoring tool.

Integrating climate-related risks & opportunities in investment decision making is everyone's responsibility at DPAM, from portfolio managers and analysts to our risk management team and the Management Board. Indeed, due to the complexity of identifying and assessing climate-related risks and opportunities, knowledge sharing and interaction are crucial to reach the ultimate goal of quantifying climate-related risks and opportunities. Hence, over the course of 2022, we continued our training activities, both internally and externally. A bespoke training module was set up for all investment professionals, from portfolio managers and analysts, to sales and marketing on several climate-related topics: TCFD integration, Net Zero and EU Taxonomy. The trainings, which were accompanied by a formal test, highlighted amongst others the applied frameworks, our approach, actions taken and next steps. Interestingly, those meetings also provide insights on the approach and views of our clients. By sharing specific client requests linked to climate change, and discussing our approach, we strongly believe our sales teams are better prepared to handle similar requests in the future, with a critical mindset and background information on DPAM's approach.

Furthermore, linked to our strategy & risk management approach, several SRI policies were already revised in 2021 (with minor updates in 2022) to take into account climate-related risks & opportunities (e.g. Controversial Activities Policy). More information can be found in the next section.

To conclude, we initiated to the process to involve our Board of Directors and Risk Committee in the assessing of ESG risks at DPAM level. On the environmental part, climate change has been prioritized, following the approach defined by the TCFD Steering Committee (see section '1. Managing climate-related risks at company level: enhancing our TCFD dashboard').

TCFD IMPLEMENTATION: INTERNAL ROLES & RESPONSIBILITIES

STRATEGY & STEERING

MANAGEMENT BOARD

- Oversight and review of all documents/tools related to strategic approach, risk management and metrics & targets, incl. TCFD report
- Integrating climate-related risks and opportunities in overall DPAM strategy

TCFD STEERING COMMITEE

- Reporting to Management Board on implementation/integration progress
- Evolution and steering of operational integration by all actors (PMs, analysts, risk)

RISK MANAGEMENT

- Compliance/eligibility screening based on climate-related criteria
- Integration of climate-related risks in overall risk management + review SAA

RESPONSIBLE INVESTMENT STEERING GROUP (RISG)

- Steering of specific cases/review of documents prior to integretion or submission
- Guidance during implementation of TCFD action plan
- Directly reports to the DPAM Management Board

INTEGRATION

ANALYSTS & PORTFOLIO MANAGERS

- Integration of climate change factors in the investment case
- Engaging with companies on climate change factors
- Participating in collaborative engagement initiative

TCFD STEERING COMMITEE

- Keeping overview of TCFD implementation and internal structure at DPAM level
- Facilitating integration in investment cases & PM/analyst engagement with companies by developing tools, techniques and data sources
- Management of external data (providers) and memberships
- Proxy voting on climate related shareholder resolutions
- Leading individual & collaborative engagement initiatives + with data providers

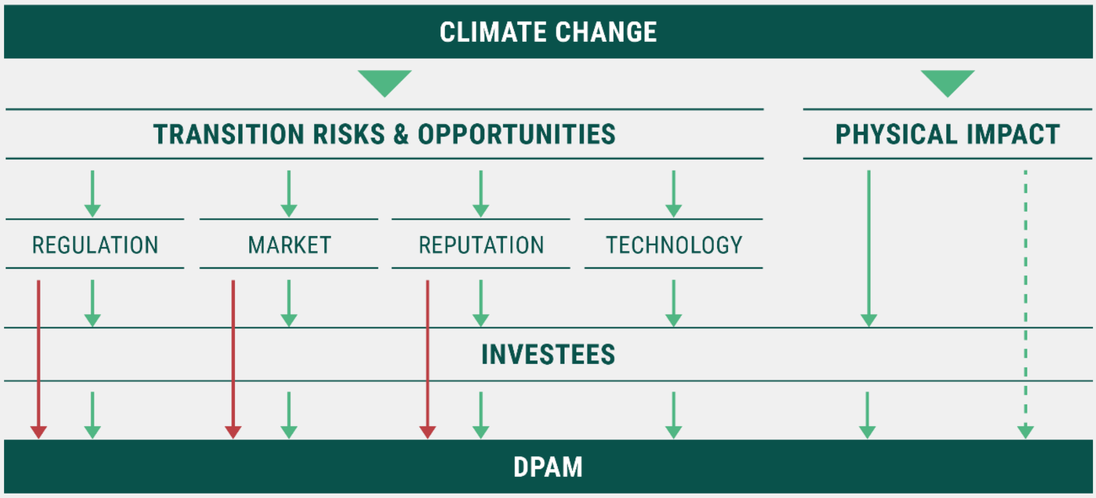
Source: DPAM

V. **STRATEGY & RISK** MANAGEMENT

1. LINKING CLIMATE CHANGE AND DPAM'S INVESTMENT ACTIVITIES

As an Asset Manager, DPAM manages investment strategies (i.e. funds and mandates). The optimal assessment of risks and expected returns is core to our business. Apart from the direct climate impact on our investees (physical and transition risks), climate change also has a more direct impact on our investment activities, for instance via specific regulation for asset managers or requests coming from our (institutional) clients (please see further).

LINKING CLIMATE CHANGE AND DPAM



Source: DPAM

In the following sections, we'll describe DPAM approach to identify, assess and mitigate the impact of climate on our investment activities via our investees, as well as the more direct impact of climate change on our investment activities.

1.1. Phase III: continuing our approach for climate-related risk identification and risk management

1. Starting point of risk identification: initial assessment of the risk exposure of our investees

From a strategic and risk management perspective, our RICC performed an **initial sector exposure assessment** for the most material climate-related risks by using the TCFD's framework for categorizing climate-related risks & opportunities (see Annex III). The assessment, which was based on reports and data coming from external experts and data providers, focused on the risk exposure for our investees.

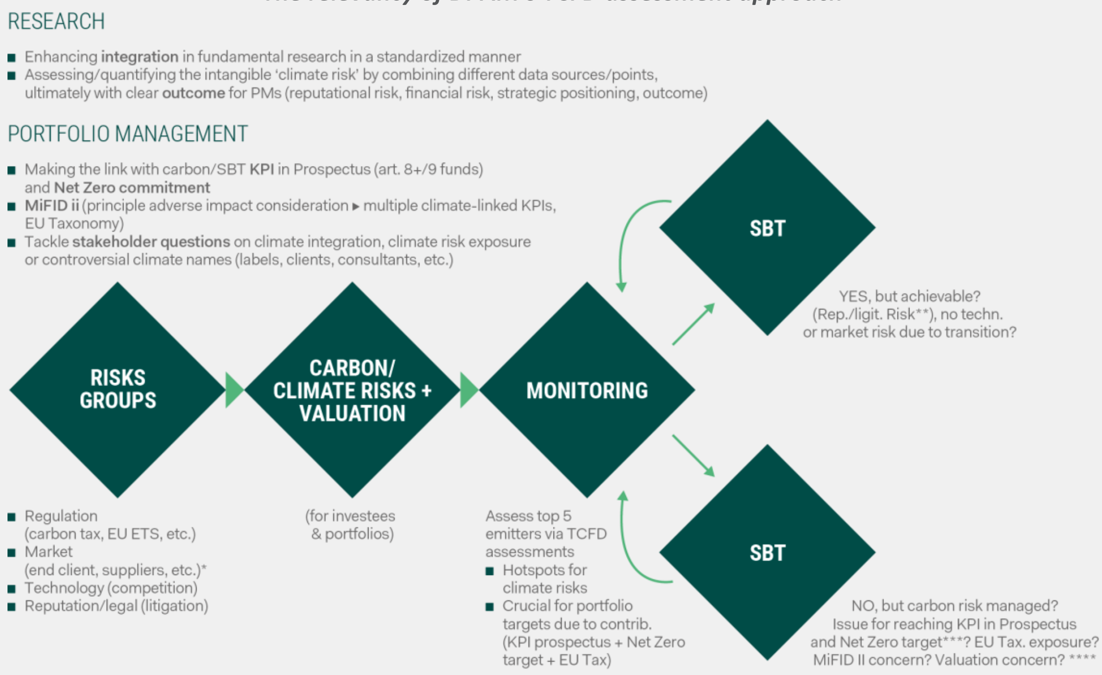
Based on the assessment and the input of several internal and external sources, including the recommendations of the TCFD and data provided to organizations such as CDP, the RICC further assessed potential climate-related risks and opportunities and associated data needs, including the identification of KPIs or metrics. The exercise serves as input for the next phase of the process: climate risk assessment of our investees via DPAM's proprietary, standardized approach.

2. TCFD aligned climate risk assessment approach – DPAM proprietary assessment sheet

A **standard, industry-specific assessment template** is developed in close collaboration with our buy-side analysts and portfolio managers. The template is based on the 4 pillars of the TCFD (see Annex I) and consists of several industry-specific, customized fields (incl. material risks & opportunities), which allows us to assess the strategic positioning of a company with respect to climate change and the transition towards a low carbon economy. For all TCFD sectors, we defined material risks to be assessed via the template. The template requires input from multiple sources, including our external ESG/carbon data providers (i.e. Sustainalytics and Trucost) as well companies, NGOs, academic research entities and our own internal assessments. To identify opportunities related to the climate transition, the template has a dedicated section focusing on the strategic positioning of the company (M&A activity, development of new products & services, etc.).

Climate-related risks can have an impact on individual positions, but also on the aggregated portfolio level. Hence, to assess risk exposure on portfolio level, it was agreed to conduct the proprietary TCFD assessment for the most **GHG intensive positions (tCO2/ USD mn sales)** of each actively managed investment strategy in order to have a representative view on the portfolio's overall climate risk exposure. This was a deliberate choice, since for our actively managed sustainable strategies, the top 5 emitters based on scope 1, 2 and 3 emissions contribute on average to over 50% of the portfolio's total carbon intensity.

The relevancy of DPAM's TCFD assessment approach



Source: DPAM

In 2022, we re-initiated our training process. All portfolio managers and analysts received specific training, provided by the RICC, on the use of the assessment template, its indicators/metrics and the available data files and sources. New trainings have even already provided in early 2023 as these will be repeated annually.

Case study: increased conviction due to engagement

One of the portfolio companies in scope for the detailed TCFD assessment was a Belgian real estate company. Due to its activities, the company is exposed climate-related physical and transition risks and opportunities. A detailed assessment of those risks and opportunities concluded that the company is improving its disclosures, but climate-related disclosures are missing. Hence, following the 2022 TCFD assessment, our portfolio managers and real estate analyst, as active and responsible investors, stressed the importance of disclosing climate-related information to CDP. Already in Q4 2022 the company disclosed to CDP (although not publicly disclosing yet), which increased our conviction in the name.

Given the evolution of physical and transition risks and opportunities, it was agreed to **review** the risk identification exercise per industry on a yearly basis. During the 1st quarter of the year, the top 5 contributors to the carbon intensity of the portfolios are identified. Following that exercise, the three main climate-related risks are identified by industry, after which the analysts and portfolio managers initiate the assessment according to the template. Examples of the risk identification can be found in the table below.

	MATERIAL RISK 1	MATERIAL RISK 2	MATERIAL RISK 3
Semiconductors	Carbon pricing (mainly F-gases)	Physical risks	Resource scarcity (minerals, water, gas (neon))
Automobiles	Carbon pricing/fines	Affordability + consumer backlash	Technology (availability + substitution)
Utilities (non-power)	Changing customer behavior	Extreme weather	Stranded Assets

Furthermore, following the 2020 & 2021 assessments, some revisions were implemented by the TCFD Steering Committee at the end of 2021 to ensure a more optimal assessment in 2022:

- **Formal review** of the assessments between analyst and PM. Based on that review, a decision is taken on the next steps (e.g. increased conviction, (in)formal engagement, divestment);
- **Template adjustments** to include amongst others regulatory compliance information: given different evolutions on a regulatory front, the templates were adjusted to consider relevant fields focusing on for example compliance with the (preliminary) EU Taxonomy regulation and Febelfin Towards Sustainability label requirements.

At the end of 2022, the process was evaluated again and some (final) changes were made to optimize the assessment. Main changes for the 2023 template include:

- **Company reported data**: the amount of company-reported data fields increased
- **SFDR/portfolio performance**: a more direct link has been made with KPIs at portfolio level, including those linked to the Principal Adverse Impact indicators as defined by SFDR to ensure the most carbon intensive positions are properly monitored and portfolio managers can more easily assess and identify red flags.
- **Opportunities**: next to the strategic positioning versus climate-risks, a more detailed review will be made of an issuer's positioning versus climate-related opportunities.
- **Escalation approach**: the final assessment outcome can be split into different actions. Analysts will have the opportunity to, amongst others, suggest escalation via proxy voting.

3. Going beyond internal assessments: strengthening portfolio construction criteria

DPAM's climate commitment is also translated in the portfolio construction of sustainable investment strategies. All our sustainable strategies require compliance with stringent investment criteria related to carbon intensive power generation (aligned with the Paris Agreement) and fossil fuel exposure.

Back in 2021, several revisions were made to the policy to align with the investment criteria of Febelfin's Towards Sustainability label. As such, following stringent eligibility criteria apply for our actively managed sustainable investment strategies:

- **Thermal coal**: all issuers with a revenue exposure > 0% in the mining, exploration or extraction of thermal coal are excluded, next to issuers classified under GICS 10102050 "Coal & Consumable Fuels". Furthermore, issuers with an increase in absolute production of/capacity for are excluded, unless they set a science-based emissions reduction target, derive less than 5% of their revenues from thermal coal-related activities, have less than 10% of CapEx linked to thermal coal or have over 50% CapEx dedicated to EU Taxonomy contributing activities.

- **Unconventional oil & gas**: Shale gas, Shale oil, Oil sands and Arctic drilling: all issuers involved in the exploration or extraction of unconventional oil and gas or providing dedicated equipment or services. Issuers with an increase in absolute production or capacity are excluded. Other issuers can be eligible only if they set a science-based emissions reduction target, derive less than 5% of their revenues from unconventional O&G-related activities or have over 50% CapEx dedicated to EU Taxonomy contributing activities.

- **Conventional oil & gas**: All issuers involved in the exploration, extraction, refining and transport of oil and gas, or providing dedicated equipment or services shall be excluded except if they meet at least one of the following criteria: have a science-based emissions reduction target, derive less than 5% of their revenues from O&G-related activities, have less than 15% of CapEx dedicated to O&G-related activities and not with the objective of increasing revenue or have over 15% CapEx dedicated to EU Taxonomy contributing activities.

- **Electricity generation from fossil-fuels & non-renewable energy sources**: exclusion of issuers involved in the generation of power/heat from non-renewable energy sources or providing dedicated equipment or services with a structural increase in the absolute production of or capacity for coal-based or nuclear-based energy-related products/services. An issuer is eligible if its production of/capacity for contributing activities is increasing and meets at least one of the following criteria: have a science-based emissions reduction target, derive less than 5% of their revenues from O&G-related activities, derive more than 50% of its revenues from contributing activities or have over 50% CapEx dedicated to EU Taxonomy contributing activities.

Note that electricity utilities with a carbon intensity lower than the annual thresholds presented by the IEA and that are not structurally increasing coal- or nuclear-based power generation capacity, are eligible (grandfathering). Furthermore, it should be noted that issuers in violation of the above criteria, but issuing green bonds, can be exceptionally considered eligible. In this specific case, provided the use-of-proceeds bond (by default green bond) is estimated to be contributing positively to the energy transition and/or to the mitigation of climate change risks, then the use-of-proceed bond can be eligible for investment in DPAM Sustainable strategies.

But DPAM is moving its focus beyond actively managed sustainable strategies. As such, the Controversial Activities Policy was upgraded back in 2021 with exclusions on coal mining, coal power generation and O&G extraction activities from DPAM's mainstream active and index strategies. The decision to add these exclusionary criteria to a broader AuM scope were driven by financial sustainability risk concerns. More details can be found in our Controversial Activities Policy, via following link.

By applying these investment criteria, in combination with the specific climate risk assessments, our investment professionals (for sustainable and mainstream strategies) increasingly question the financial viability of different business models within the targeted industries (by the label and the TCFD recommendations) and hence become even more critical when making investment decisions.

Furthermore, over the course of 2022, DPAM performed a Net Zero feasibility study. Following the assessment, DPAM committed to the Net Zero Asset Managers initiative (NZAMi) and set portfolio-specific targets linked to both the Science-Based Targets (SBT) portfolio coverage approach, by focusing on SBT target setting by investees and the temperature alignment approach, which considers the scope 1 & 2 temperature alignment of investees. Next to the NZAM commitment at portfolio level, each sustainable portfolio (i.e. SFDR article 8+ or 9 fund) included a GHG-related KPI in its Prospectus. More information is provided in section VI. Metrics & Targets.

1.2. Phase III: strategic asset allocation and scenario analysis

In this section, more details on our strategic asset allocation approach will be provided, next to insights in the developments of scenario analysis at firm level:

1. Managing climate-related risks at company level: enhancing our TCFD dashboard
2. Scenario analysis being further explored throughout 2022
3. Enhancing our research capabilities through additional data
4. Facilitating the green transition with a climate-focused investment strategy
5. Continuing our efforts in other asset classes
6. Dedicated, custom-made mandates with an eye for climate change

1. Managing climate-related risks at company level: enhancing our TCFD dashboard

Following our actions on climate-related risk assessments at issuer and portfolio level, the TCFD Steering Group agreed to step up our risk management approach at DPAM-wide level. Back in 2021, we launched several projects, involving different parties to ensure climate-related risk management is integrated in our strategic asset allocation and continued to improve these in 2022.

As such, in collaboration with our Risk Management department, a TCFD dashboard was developed to track investments by TCFD industry. The dashboard is reviewed during each 6 weekly TCFD Steering Committee meeting (slightly altered as of 2023) and a number of checks is performed, for example assessing the exposure to certain industries with increased climate-related regulatory scrutiny.

Extract of TCFD dashboard: sector exposure sheet

TCFD Sector	NAV	NAV (%)	vs previous assessment (15/07/2022)
Agriculture, Food & Forest Products			reduced
Energy			increased
Materials & Buildings			increased
Transportation			increased
TCFD Sector	**NAV**	**NAV (%)**	**vs previous assessment (15/07/2022)**
Communications			reduced
Consumer, Cyclical			reduced
Consumer, Non-cyclical			increased
Diversified			increased
Financial			reduced
Funds			increased
Government			reduced
Industrial			increased
Technology			increased
Utilities			reduced

Source: DPAM

Furthermore, via the dashboard we focus on the top holdings in the most carbon intensive industries as they might pose specific investment risks if not properly managed/monitored. Over the past two years, several improvements/adjustments were made to the dashboard. Next to the exposure identification towards carbon intensive industries, scenario data for different risk indicators is added to the dashboard, an approach largely aligned with the methodologies of the European Central Bank and Federal Reserve Bank of New York factors for climate stress testing:

- **Fossil fuel exposure**: by focusing on the total fossil fuels exposure of DPAM investments, the objective is to monitor and manage the financial and reputational risk associated to it. Since fossil fuel exposure may go beyond the GICS energy sector classification, several indicators are retained as there is no unique indicator to assess 'exposure'.
- **Physical risks exposure**: three physical climate risk scenarios are applied, based on different time horizons and temperature estimates. These are linked to 7 physical risk estimates, which are aggregated from physical asset level of an issuer to an aggregated issuer level score provided by an external data provider.
- **Carbon earnings at risk**: transition risks are quite broad, ranging from regulatory risks to market or technology risks and could already include notably the fossil fuels risks. As a proxy to assess transition risks in a standardized manner, it was agreed to monitor carbon pricing risk exposure via the 'Carbon cost as % of EBITDA' according to three scenarios, provided by an external data provider. It is however agreed to target the more stringent scenario, due to recent market evolutions notably under the EU ETS (see further below).

Insights in the applied scenarios (assumptions and timeframes) for physical risks and carbon earnings at risks can be found in the table below:

	Scenario 1	Scenario 2	Scenario 3
Physical risk *(provider: Trucost)*	▪ RCP*: 2.6 / <2°C in 2100 ▪ Timeframe: 2030	▪ RCP: 4.5 / >2°C in 2100 ▪ Timeframe: 2030	▪ RCP: 8.5 / >4°C in 2100 ▪ Timeframe: 2030
Carbon earning at risk *(provider: Trucost)*	▪ Price: ca.100 USD ▪ Metric: % of ebitda ▪ Timeframe: 2025	▪ Price: ca.50 USD ▪ Metric: % of ebitda ▪ Timeframe: 2025	▪ Price: ca. 25 USD ▪ Metric: % of ebitda ▪ Timeframe: 2025

** RCP = Representative Concentration Pathway, a GHG concentration trajectory adopted by the IPCC, expressed in radiative forcing (W/m2) in 2100. A low RCP corresponds to low radiative forcing and hence lower temperature increase.*

Based on the above indicators, warning thresholds and escalation steps are defined to ensure follow up. Our TCFD assessments at investee level form the start of the escalation, since these rely on the experience and insights of the analysts and portfolio managers. Since mitigation measures can be implemented by corporates to tackle the above-mentioned risks, the TCFD committee initiated the inclusion of mitigation-related data in the dashboard.

- **Mitigation measures**: to assess the mitigation commitments and capabilities of issuers in scope of the dashboard assessment, it was agreed to add information related to Sciences-Based Target setting (to assess commitments), EU Taxonomy alignment (to assess performance and/or investments) and internal TCFD assessment coverage (to assess overall risk exposure).

Extract of TCFD dashboard: sector exposure sheet

TCFD Sector	Group	Issuer ULTIMATE_PARENT_CO	NAV	NAV (%)	Coal Power Generation Revenue (%)	Coal Mining Sector Revenues total (%)	Fossil fuel CAPEX total (m USD)	Reserves coal total (mtons)	Reserves oil total (mmbbl)	Reserves gas total (bcf)
Energy	Electric									
Energy	Electric									
Energy	Electric									
Energy	Electric									
Energy	Electric									
Energy	Energy-Alternate Sources									
Energy	Energy-Alternate Sources									
Energy	Energy-Alternate Sources									
Energy	Energy-Alternate Sources									
Energy	Energy-Alternate Sources									
Energy	Gas									
Energy	Gas									
Energy	Gas									
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Energy	Oil & Gas Services									
Energy	Oil & Gas Services									
Energy	Oil & Gas Services									
Energy	Pipelines									
Energy	Pipelines									
Energy	Pipelines									
Energy	Pipelines									
Energy	Pipelines									

TOP 5 BY TCFD GROUP:
Invested amounts & exposure levels

Source: DPAM

Via the dashboard above, our TCFD Steering Committee reviews asset exposure to carbon/GHG-intensive industries and further steers asset allocation decisions. As such, the alignment of specific topics such as fossil fuel exposure with our policies and convictions can be assessed, next to the traditional risk/compliance checks implemented by our RICC and Risk Management teams.

To conclude, the approach described above is used by DPAM's Risk Committee to assess environmental risks. A similar approach has been developed to assess governance and social risks at DPAM level.

In addition to the above, in 2023 our Risk Department will work closely with the RICC to develop an alternative Value-at-Risk modelling tool which takes into account climate and/or ESG related data. Once a prototype of the ESG VaR is developed, this will be compared with existing risk model providers.

Linked to the above-mentioned dashboard, during the 6-weekly TCFD Steering Committee meetings an update is provided on the on the market, by focusing on different pillars: regulation linked to climate change, financial market/industry actions, relevant climate-related corporate/sector news and litigation or reputational issues. The update is passed on to investment professionals within the company, via the CIOs and other representatives in the committee. A glimpse on some of the topics discussed during the 2022 meetings:

- Climate-litigation risk on the rise:

  With an increase in climate commitments and promises, the risk of climate-related litigation cases is on the rise. Within the committee, it was discussed how DPAM can properly prepare and anticipate future investment risks. The climate or TCFD assessments at issuer level are part of the approach.

- Swiss Climate Scores:

  The Swiss State Secretariat for International Finance (SIF) in June 2022 launched a project to assign climate scores to investors as part of its objective to establish best-practice transparency on the Paris-alignment of financial investments to foster investment decisions that contribute to reaching the climate goals. The indicators range from fossil fuel exposure to engagement and net zero commitments. Although no regulatory framework has been foreseen, the Federal Council has already instructed SIF and Federal Office for the Environment (FOEN) to review the application by the end of 2023 at the latest. These developments were discussed in the Committee meetings to assess DPAM's preparedness and progress on climate integration.

- European Central Bank (ECB) integration of climate considerations in its monetary policy:

  The ECB announced to prioritize climate friendly assets and relegating carbon intensive instruments with issuers being assessed on the basis of their GHG emissions, reduction targets, and quality of climate related financial disclosures. Hence it was discussed within the committee how this might impact the market (e.g. spreads of climate leaders vs laggards).

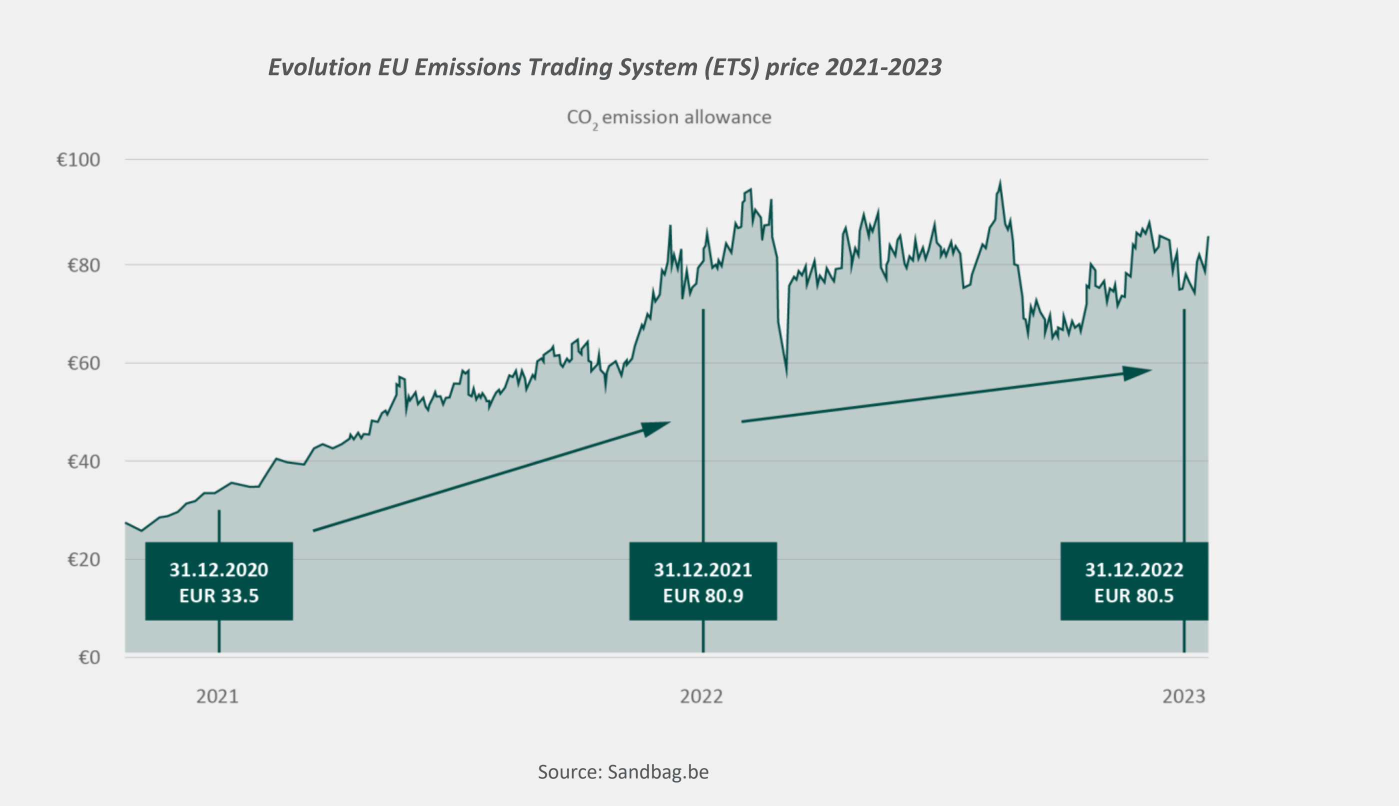
1. Scenario analysis being further explored throughout 2022

According to the Financial Stability Board, scenario analysis is a tool to enhance critical strategic thinking, a way to challenge conventional wisdom about the future and an intention to explore alternatives that may significantly alter the basis for "business-as-usual" assumptions. By applying scenario analysis on different climate-related risks, an investor could make more-informed investment decisions and tackle the degree of uncertainty which is inherent to climate-related risks and opportunities, especially since those risks can vary over time, geography and scope.

Scenario analysis is likely the most complex, yet one of the most important pillars within the TCFD recommendations. We enhanced several tools and options to implement scenario analysis in our climate-related risk management activities and will continue to do so in 2023. Started at issuer level, we applied the tools to DPAM wide level (please see section on 'DPAM TCFD Dashboard' above).

As scenario analysis requires specific assumptions and parameters to be assessed, it does not come as a surprise that an industry specific focus might be required. As such, we continued to work on scenario analysis at industry and issuer level. For industries exposed to the EU ETS[1], carbon pricing evolutions are monitored under different climate scenarios applied by brokers. It was however striking that estimates were significantly revised over the course of 2022, with multiple brokers estimating prices above EUR 130/t by the end of 2022. Compared to the estimates provided in 2020, significant upward revisions were made (2022 figures ranged from EUR 30 to 85 per ton). 2022 was faced by some price fluctuations, amongst others linked to the Russia-Ukraine conflict, but overall it looks like the revisions are leading to a more stable minimum price.

[1] Companies with activities linked to electricity and heat generation; energy-intensive industry sectors including oil refineries, steel works, and production of iron, aluminium, metals, cement, lime, glass, ceramics, pulp, paper, cardboard, acids and bulk organic chemicals; commercial aviation within the European Economic Area; emissions of nitrous oxide or perfluorocarbons.



2. Enhancing our research capabilities through additional data

In 2019, we signed an agreement with the dedicated carbon data provider Trucost, which strengthens our ability to integrate climate-related metrics in our investment decision making and in 2020 we started to further explore additional data sources and metrics from the provider and eventually signed several agreements in 2021. To enhance our regulatory obligations and research activities, we acquired EU Taxonomy data and physical risks data.

In addition, following the TCFD assessments at issuer level, we identified the need credit specific climate risk data. Hence, we signed an agreement with S&P Oliver Wyman to acquire a climate adjusted credit rating data tool, which allows for climate scenario analysis and credit analytics modelling. The implementation has been initiated in 2022 and will be further explored throughout 2023. In theory the tool should enable comprehensive and consistent sector-specific modelling (stress testing and scenario analysis), including an evaluation of all the key high carbon-emitting sectors. More information will hopefully be provided in our next report.

3. Facilitating the green transition with a climate-focused investment strategy

Climate change is leading to disruption across a wide range of sectors. Economic agents are influenced and financial assets impacted. Challenges to move towards a low-carbon economy are global which brings both opportunities and risks for investors that want to generate income while preserving capital. The European Investment Bank (EIB) realized this and wanted to incentivize financial institutions to mobilize capital towards greener investments by issuing the first green bond (originally named ‘climate-awareness’ bond), some 10 years ago, which is a bond whose use of proceeds involve projects with positive environmental benefits. The EC even announced that at least 30% of the EUR 750 billion Recovery Fund will be raised through green bonds, which have a strong focus on climate change mitigation. The Commissions is finalizing the EU Green Bond Standard. The voluntary standard, built upon the Green Bond Principles, links the use of proceeds to the EU Taxonomy for Sustainable Activities (built around 6 environmental objectives). The latter is a classification system for sustainable economic activities developed in collaboration with scientific and corporate communities, and hence serves as the common language and a clear definition of what is truly ‘sustainable’. Interestingly, the Commission also added the external review (i.e. second party opinion) to the list of mandatory actions when issuing a green bond under its new framework.

Hence, as part of its asset allocation strategy, DPAM launched a new fixed income, thematic climate-focused investment strategy in June 2019. The objective of the strategy is dual. Channelling investments towards issuers (corporate and sovereign) that are committed to tackle climate change and seize opportunities associated with the transition while at the same time creating an unbiased and robust bond portfolio that can weather various market conditions for investors. The fund invests in:

- green bonds issuers, i.e. financing projects that reduce emissions;
- climate challengers, i.e. issuers who are making progress towards a carbon neutral economy; and,
- climate enablers, i.e. issuers who are facilitating the transition to a carbon neutral economy.

Overall, this translates in investing in issuers related to Energy efficiency, Mobility and electrification, Eco-society, Regenerative Economy, Alternative and renewable energy, Land use, agriculture and water and Decarbonizing and manufacturing.

To ensure the investments are fit for the strategy, DPAM took proactive measures in 2019 and developed a proprietary green bond assessment template to reduce the risk of investing in green bonds whose proceeds are not allocated to eligible, climate change mitigation or adaptation projects. Following the EU Action Plan on Sustainable Finance, apart from the traditional green bonds, several new sustainable (and climate-related) financing products entered the market in 2021 (e.g. transition bonds, sustainability-linked bonds, etc.). Hence throughout 2021, the portfolio managers and our RICC team used the green bond template as basis to assess newly developed use-of-proceeds or sustainability linked credit instruments, such as sustainability-linked bonds, to ensure these fit with the investment philosophy of the fund. In addition, portfolio managers and RICC team are exploring and cooperating with a new specialized data provider. Its methodology aims to standardize avoided emissions calculation, something the market and investors are still struggling with.

The strategy reached EUR 423.4 million AuM at the end of 2022.

4. Continuing our efforts in other asset classes

As DPAM wants to support the market for green and social bonds, for developed markets government bond portfolios, it was decided in 2021 to commit to holding a higher percentage of DPAM-validated GSS bonds (i.e. green, social or sustainability bonds approved following to a specific screening process) in portfolio than the similar reference universe, something which was continued in 2022. The below table provides an overview of the exposure.

GREEN BOND EXPOSURE (%)	EUR	% of fund
DPAM L Bonds Government Sustainable Hedged	178,898,000	16.3
DPAM L Bonds Government Sustainable	15,208,000	18.1
Reference Universe (OECD)	/	0.6

More information on the policy and approach can be found here.

Furthermore, DPAM's exposure to green bonds significantly increased over the past year:

GREEN BOND EXPOSURE (mn EUR)	31.12.2020	31.12.202	31.12.2022	Δ2021-2022
Corporate green bonds	443	824	828	+0.5%
Government green bonds	110	286	377	+31.8%
Total	**553**	**1,110**	**1,205**	**+8.6%**

5. Dedicated, custom-made mandates with an eye for climate change

In addition, in terms of strategic asset allocation and product offering strategy on the institutional side (i.e. managed mandates), over the past year we have gained more experience in the development of **specific climate-focused investment solutions**, both in terms of portfolio management and construction, as well as in terms of climate-related disclosures (i.e. reporting aggregated climate-related metrics).

For example, we developed a low-carbon mandate for a Belgian academic institution which includes specific climate-related portfolio construction criteria (e.g. sector specific best-in-class screening based on carbon intensity), a portfolio which has been opened for external asset owners since 2020 and is further being improved in terms of target setting and reporting. In addition, for a French asset owner, we continued to develop an ESG report with detailed climate metrics such as two degrees alignment of the portfolio as well as an exposure split to the different TCFD sectors, in accordance to Article 173 of the French Energy Transition Law of 17 August 2015.

1.3. An increased climate commitment & a strong focus on engagement

2. CA100+: continuing our efforts through collaborative engagement

Since we became a **signatory of the TCFD recommendations** near the end of ’18, several actions were taken to strengthen our climate commitment. To further step up our commitment, we joined the **Climate Action 100+ collaborative engagement initiative**[2] in June ’19 and continued to be an active member of the initiative throughout 2021.

A quick recap to start with. CA100+ is the collaborative engagement initiative backed by the PRI which engages with high emitting companies on improving climate change governance, cutting emissions and strengthening climate-related financial disclosures. Over 700 investors joined the alliance so far, representing >$68 trillion in assets under management. DPAM joined the initiative in 2019 and throughout this year, 2022, we continued our efforts. In general, we participate in investor meetings, joined sessions on the development of the Net-Zero Company Benchmark and engaged with several companies.

We strongly believe that active, collaborative engagement, via **Climate Action 100+ (CA100+)**, can facilitate the energy transition since it allows us to engage with our investees in a constructive, yet influential way. Initially, we defined some target companies for which DPAM joined CA100+ as collaborative investor. Although we take on an active role and for several of these initiatives, in 2020 we decided to become a co-lead investor for one of the targeted companies, a German cement producer. Since we joined the engagement, some relevant milestones have been achieved by the investees, also in 2022. In the table below, you can find an overview of some of the milestones achieved.

[2] Climate Action 100+ is an international, PRI-backed initiative led by investors to engage systemically with important greenhouse gas emitters (100+) to improve climate change governance, curb emissions, and strengthen climate-related financial disclosures. The aim of the engagement is to drive the energy transition and help achieve the goals of the Paris Agreement (http://www.climateaction100.org/).

COMPANY	MILESTONE/COMPANY PROGRESS	YEAR
Dutch food producer	Committed to submitting an historical 'Say-on-climate' resolution at its 2021 Annual General Meeting	2020
	Disclosure of Climate Transition Plan	2021
	Improvement of short term scope 3 target	2022
French industrial gas producer	▪ Science-based emissions reduction target set ▪ Development of scenario to achieve carbon neutrality by 2050 ▪ Development of long- and mid-term objectives to reach the 2050 goal	2020
	▪ Preliminary association review report	2021
	▪ Science-based emissions reduction target, lobbying alignment	2022
French building materials producer	▪ Science-based emissions reduction target set ▪ Net zero commitment by 2050	2020
	▪ Net zero validation by SBTi, partnerships and SLB issuance	2022
Irish building materials producer	▪ Board member with explicit responsibility for oversight of climate change ▪ Constructive dialogues and awareness on risk management, executive remuneration linked to climate targets, etc. ▪ Stated ambition for carbon neutrality by 2050 ▪ Commitment to disclose lobbying activities in next report	2020
	▪ Commitment to Net Zero ▪ TCFD disclosures	2021
	▪ Absolute emissions reduction target for 2030	2022
German cement producer	▪ Report on lobbying activities ▪ Commitment to align with CA100+ Net Zero benchmark requirements ▪ Commitment to align CAPEX with Paris Alignment	2021
	▪ Improved Policy Engagement publication + tangible actions to ensure alignment	2022

But not all engagements are going well and force us sometimes to make difficult decisions. As such in 2019 several portfolio managers decided to divest from a targeted company, active in machinery and engine manufacturing, due to unsatisfying engagement results.

In 2020, our engagement with a German cement producer faced some difficulties on requirements related to lobbying disclosures. As a result, the participating investors, including DPAM, decided to escalate the engagement further throughout 2021. However, following some escalation steps (and threats), an important and hopeful milestone was achieved as the company finally committed to disclose its lobbying activities/review and the alignment with its positioning reflecting the goals set out in the Paris Agreement. The commitment was met later in the year when the company published its Climate Advocacy and Association Review. Further dialogue is ongoing to address misaligned associations and align the company's activities with CA100+'s Net Zero Company benchmark. During the reporting year 2022, the company made further improvements and published an updated

Climate Advocacy and Association Review. Next engagement steps will continue to focus on alignment with the Benchmark, with a particular focus on CAPEX alignment and mid term target setting.

Furthermore, throughout 2022 we joined the engagement initiative targeting a French oil major as we believe it is closely aligned with another engagement initiative we have conducted throughout 2022.

DPAM also actively participated in CA100+'s consultation phase for the renewal of the initiative's target period. Active consultation, more transparency and broadening of scope (metrics and target companies) were expressed as key points.

3. CDP: encouraging transparency and science-based target setting through collaborative engagement

By signing an agreement with the dedicated carbon data provider Trucost, we are able to broaden the scope of our assessments since it allows us to access to modelled data and additional indicators. However, we believe that the integration of climate-related risks via the TCFD recommendations (and the dedicated internal assessment template) requires company reported data as well, ideally via standardized reporting. Hence, DPAM became a **CDP signatory** near the end of '19/early '20. As a reminder, CDP is a not-for-profit charity running the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. By becoming a member, we gain access to company specific data since companies can disclose carbon related information to the CDP via a standardized questionnaire, which is later on shared among signatories. We believe this can significantly increase insights in companies' climate strategy and governance quality and hence improve our fundamental research.

To urge companies to disclose to the CDP, the organization launched the '**Non-disclosure Campaign**' (NDC), targeting companies who failed to disclose in the year prior to the target year. We joined the campaign 2020 and renewed this action in 2021 and 2022. As such, companies who did not or declined to respond to the questionnaire during previous years, we're asked to step up their actions in 2022. Since the CDP is the leading carbon disclosure body, becoming a signatory strengthens our commitment and can facilitate our individual climate-related engagement actions. DPAM signed up to become a lead engager for several companies. In addition, we do believe these disclosures provide information for the wider stakeholder community and requiring corporates to measures and rethink environmental implications. But how did the 2022 campaign perform?

The 2022 campaign had an overall response rate of 25% - the highest in the campaign to date and demonstrated that companies were more likely to disclose when engaged directly by investors. DPAM managed to get a 32% response rate, above the average of 25% which we consider as a positive sign coming from our investees. One of the highlights of the 2022 NDC is the engagement with Intervest Offices & Warehouses. Since the real estate company is based in Belgium, DPAM took the initiative to lead this engagement. With support from other investors, we reached out to the company via a formal letter highlighting the importance of environmental disclosures. This letter was well accepted by the company although they reached out to discuss the request more in detail. The company agreed to submit its climate questionnaire, a clear win, although the company choose to await scoring by CDP until next year to gain more maturity.

For the remaining targeted companies not disclosing yet, we ensured a constructive follow-up conversation to share our concerns and expectations. For some investees, we didn't receive a (positive) reply. Those companies will be targeted again next year.

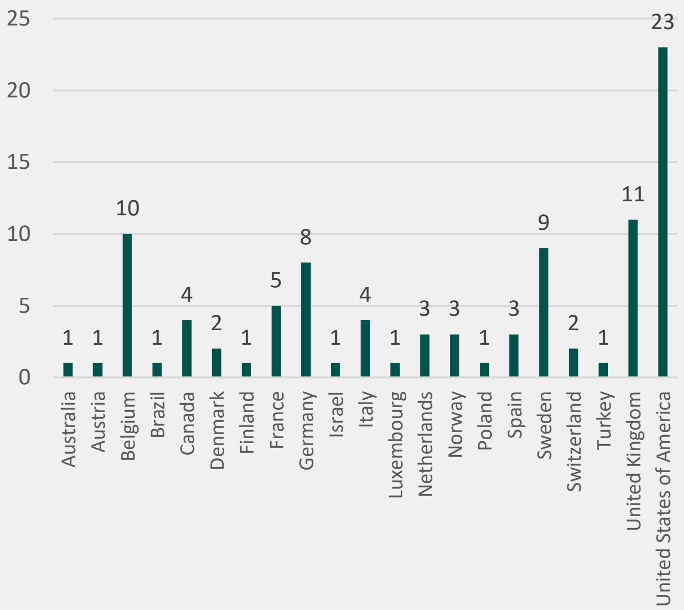
Below we provide some details on DPAM's role in the CDP Non-disclosure Campaign 2022. Overall, these results are an in line with the 2021 NDC results.

DPAM ROLE	TOTAL ENGAGEMENTS		SUCCESSFUL OUTCOME*	
	2022	**2021**	**2022**	**2021**
Co-sign	49	38	31%	29%
Lead	46	30	33%	40%
Total	**95**	**68**	**32%**	**34%**

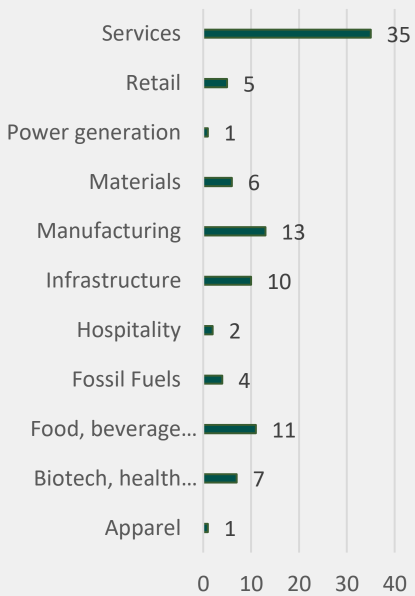
** I.e. company submitted the questionnaire*

As an EU-based asset manager, we focused our efforts clearly on EU and US companies, but also targeted more Belgian based companies. Furthermore, manufacturing, F&B and Services rank among the top industries targeted by our engagement activity.

Country split DPAM CDP engagements 2022



Industry split DPAM CDP engagements 2022



Next to the NDC, DPAM also took part in the **Science-based Targets Setting Campaign**, which encourages companies to set carbon emissions reduction targets in a scientifically backed manner, which are later on validated by an external organization (the Science-based Targets Initiative). Similar to last year, we clearly see an increasing interest of companies to set such a target which is promising, as it make part of the broader target setting approach being identified at portfolio level (see further in section 'Metrics & Targets').

Note that our climate engagement approach also focuses on individual engagement (i.e. companies in the framework of our TCFD analysis, see section 'TCFD aligned climate risk assessment approach – DPAM proprietary assessment sheet') next to collaborative engagement. For individual engagement, it is up to the discretion of the portfolio manager and analyst to assess the outcome of their dialogues with the company and to what extent to company in question is sufficiently addressing climate-related risks or seeking climate-related opportunities (i.e. engaging a dialogue to improve the quality of the fundamental research). Although we do believe these dialogues have the capability of resulting in real economy impact, these are not yet measured as such and no formal escalation procedure is applied unless initiated by the portfolio manager.

4. FAIRR: targeting the protein industry

The collaborative initiative **FAIRR** aims to decrease the environmental impact of the food value chain by encouraging the use of sustainable proteins within food products. Knowing the food industry is responsible for a significant portion of total global GHG emissions, especially the food industry, DPAM decided to take action on this front. As such, we joined the FAIRR initiative given its involvement in research concerning the protein industry. As discussed in our previous TCFD report, we shared our thoughts on the development of their climate risk tool. In 2022, we continued collaborating with FAIRR and took part in several engagement campaigns:

- **Sustainable aquaculture engagement**, targeting the world's largest salmon companies and encouraging them to develop a science-based approach to diversifying feed ingredient to better manage the associated ESG risks, such as deforestation linked to soy production. Investment companies for which DPAM joined the talks are Mowi, Bakkafrost and Grief Seafood and supported all other engagements. Realizing constructive engagement requires time, will have continued this engagement in 2022.
- **Sustainable protein engagement**, aimed at global food companies to encourage and challenge them on the transition of their product portfolios to facilitate healthier and more sustainable diets while ensuring long-term food security. As with the aquaculture engagement, realizing constructive engagement requires time, continued this engagement in 2022. Note that 8 out of 23 target companies now have targets in place to increase the volume and sales of meat and dairy alternatives and/or reduce brand-level emissions, while all companies are investing in the development of plant-based products.
- **Working conditions engagement**, targets some of the world's largest animal protein producers and encouraging them to strengthen labor standards and corporate practices throughout their supply chain (please also refer to the Tyson Foods case study). The dialogue with Cranswick, one of the target companies, was very constructive, although the company is lagging its peers and significant progress has to be made in the next phase of the engagement. As with the other engagements, realizing constructive engagement requires time, will continued this engagement in 2022.

5. Ending 2022 in style: enhancing our engagement and research activities by joining IIGCC

DPAM decided to join an additional network active on climate change, next to Climate Action 100+ and CDP, namely the Institutional Investors Group on Climate Change (IIGCC). This is the European membership body for investor collaboration on climate change.

The organization aims at:

- Shaping sustainable finance and climate policy, and regulation for key sectors ;
- Supporting market development to facilitate investor action on climate change ;
- Guiding investors in managing climate risks and opportunities and aligning portfolios to climate goals ;
- Accelerating investment in climate solutions ;
- Driving net zero business strategies and support real economy impact through stewardship and sector-level engagement ;

We strongly believe joining this initiative will accelerate our engagement and research efforts regarding net zero, next to the other environmental convictions we defend. As such, we decided to participate in an upcoming 2023 engagement initiative which broadens the target company scope for net Zero alignment (linked to CA100+ initiative).

6. Proxy voting as a means for climate action

As described in our voting policy, we support climate-related shareholders resolutions, particularly regarding ESG questions, when these are relevant and aim to improve the Company's engagement on those key challenges.

More specifically, and in line with last year, over the course of 2022 we voted in favour of several shareholder proposals, which requested to report according to the TCFD recommendations, the setting of GHG reduction targets, balancing climate measures and financial returns, fossil fuel underwriting policy, deforestation policy, disclosure of a climate lobbying report, etc. Target companies were amongst others JPMorgan, Shell, Exxon Mobil and Home Depot. Overall, we voted in favour of 43 climate-related shareholder proposals and abstained on two.

Recent evolutions in the field of climate-related resolutions, such as the Say-on-climate resolution, require us to take action. Say-on-climate resolutions are modelled on "Say on Pay" votes, where shareholders cast a non-binding advisory vote on a company's executive compensation package at the company's annual meeting, but, as the name says, instead focus on climate strategy or progress.

Hence, to tackle the type of vote, our Voting Advisory Board, in charge of the voting policy of DPAM, was informed on the rise of these resolutions, and over the course of 2021 - and in close collaboration with the TCFD Steering Committee, initiated the process to define a voting approach to assess those types of specific resolutions. In 2022, the TCFD Steering Committee made of formal suggestion which was later validated and approved by the Voting Advisory Board.

Regarding votes linked to "say on climate" transition plans, DPAM will be attentive to the following core criteria:

- A corporate **Net Zero commitment** or ambition to adopt one for 2050 or sooner covering all relevant GHG emissions;
- **Medium term targets** aligned with 1.5°C scenario or verified SBTi (Sciences-Based Target initiative) for the scope 1&2 GHG emissions and relevant scope 3 GHG emissions;
- A **decarbonisation plan**, i.e. a quantified decarbonisation strategy (detailing amongst others capital allocation alignment, climate risk and accounting disclosures, etc.);
- A publicly disclosed **reporting** aligned with the TCFD recommendations and,
- An indication of/disclosure on the **consequences and implications** of the voting outcome (i.e. advisory/binding nature).

Next to votes on transition plans, DPAM is also attentive to the disclosure of progress on the transition plans. In that case, DPAM will be attentive to:

- Evidence of a year-on-year short-term carbon(equivalent) intensity **reduction**;
- **Progress** against the reduction trajectory implied by existing GHG emissions reduction targets;
- **Operational emissions progress** (i.e. separate assessment of operational emissions progress against an intensity indicator);
- A publicly disclosed **reporting** aligned with the TCFD recommendations and,
- An indication of/disclosure on the **consequences and implications** of the voting outcome (i.e. advisory/binding nature).

Furthermore, we believe proper governance should be at the heart of every corporate transition (aligned with the recommendation of the TCFD). Hence, sufficient disclosures must be provided on the role, oversight and involvement of the Board of Directors and Senior Management in the climate transition plans.

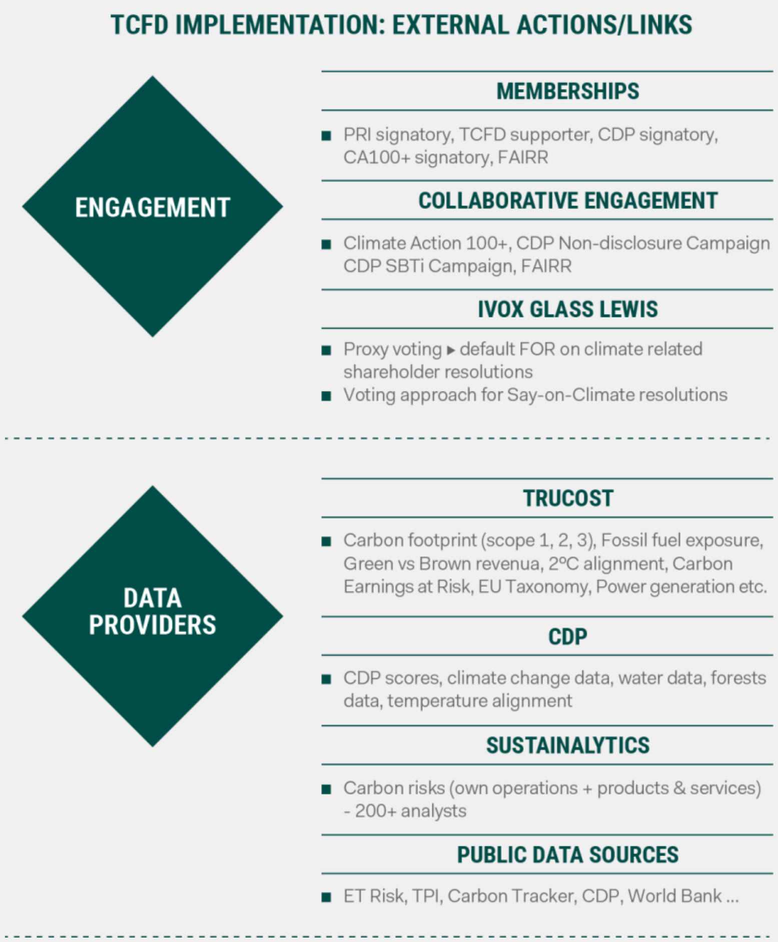
Consequently, DPAM reserves the right to vote "abstain" or "against", any proposal generally considered as going against the long-term net zero GHG emissions goals. An engagement letter has been sent out to companies with a Say-on-Climate resolution at their 2022 AGM (regardless of our voting decision) and DPAM will continue this process for the 2023 AGM season. As such, 19 letters were sent out in 2022.An example of such an engagement can be found below.

COMPANY	VOTE DECISION	RATIONALE
Spanish infrastructure company	Abstain	No alignment with the pre-defined core criteria: lack of indication of/disclosure on the consequences and implications of the voting outcome (i.e. advisory/binding nature).

Furthermore, in March 2022, DPAM co-filed its first shareholder resolution. The resolution targeted Paris Aligned mid term scope 3 target setting at a French O&G major. Although the resolution was eventually rejected by the company, actions have been taken to re-initiate the activity in 2023. Furthermore, to align with the above-mentioned actions to increase to ambitions of oil majors, DPAM joined FollowThis, an organization uniting shareholders to push big oil to transition and move beyond business as usual. Preparing the 2023 AGMs, 4 other co-filings have occurred at various O&G majors in December 2022.

1.4. Knowledge sharing

As a responsible investor, we also value knowledge sharing. Throughout 2022, we shared several articles, blogs and videos on climate change. We provided insights on our approach to climate risks via webinars (link), wrote a blog post on the EU Taxonomy evolutions (link), gave interview on Net Zero and climate action (link 1 and link 2) shared updates during and after COP27 (link 1 en link 2) and shared insights on the relevancy of engagement (link).



Source: DPAM

VI. METRICS & TARGETS

1. METRICS: INCREASING OUR REPORTING CAPABILITIES, ALIGNED AND BEYOND REGULATORY REQUIREMENTS

DPAM already started disclosing the **carbon intensity** of its portfolios in June 2017, on a quarterly basis. The carbon intensity of the portfolio is meant to assess the portfolio's carbon risk in the framework of the transition to a low-carbon economy. In order to do so, the carbon emissions of the various issuers are calculated and reported based on their total revenue. The calculation method is based on the acknowledged methodology of the Global Greenhouse Protocol and takes into account the scope 1 and scope 2 emissions. Note that the data does not take into account the total amount of emissions generated by the Company, in particular those produced downstream by the use of the commercialized products and services, or upstream by suppliers (scope 3 emissions). Hence, in 2022 it was decided to add scope 3 upstream emissions to the calculations, with scope 3 downstream emissions still going through a quality review as our data provider applied a modelling approach to calculate these emissions.

The carbon intensity is eventually calculated as a weighted average of the carbon intensity (in tCO2e/$M revenue). Additionally, for our dedicated sustainable strategies, the **top 5 emitters and contributors** to the overall carbon intensity of the portfolio is disclosed. An example of such disclosures, via our Quarterly Sustainability Reports for SFDR art. 8+ and 9 funds, can be found below.

Disclosing carbon intensity details in our Quarterly Sustainability Reports

DPAM

Marketing document

DPAM B EQUITIES **EUROPE SUSTAINABLE**

Quarterly Sustainability Report | 31 December 2022

CARBON ANALYSIS

Carbon intensity

	Carbon intensity (tCO_2e/$M revenue)	Coverage rate carbon metrics
Fund Scope 1+2	79.69	99.99
Fund Scope 1+2+3	250.23	-
MSCI Europe Scope 1+2	128.00	-
MSCI Europe Scope 1+2+3	322.31	-

Source: Trucost, DPAM

Top 5 contributors to the carbon intensity of the fund

Name	Sector	Portfolio weight (%)	Contribution to the carbon intensity (%)
Intercontinental Hotels Group Plc	Consumer services	1.71	22.84
Iberdrola SA	Utilities	2.47	12.22
Air Liquide Sa	Materials	0.90	11.20
Norsk Hydro Asa	Materials	1.26	10.28
Upm-Kymmene Corporation	Materials	1.44	8.04

Source: Trucost, DPAM

Top 5 companies with the highest carbon intensity

Name	Sector	Portfolio weight (%)	Carbon intensity (tCO_2e/$M revenue)
Linde Public Limited Company	Materials	0.00	1'332.82
Intercontinental Hotels Group Plc	Consumer services	1.71	1'065.45
Air Liquide Sa	Materials	0.90	988.06
Norsk Hydro Asa	Materials	1.26	649.90
Upm-Kymmene Corporation	Materials	1.44	445.91

Source: Trucost, DPAM

Source: DPAM

Our disclosure of climate-related metrics is to evolve significantly throughout 2023. Given the regulatory evolutions in the field of sustainable finance, i.e. the Sustainable Finance Disclosure Regulation, we closely monitored all evolutions over the course of 2022 and are preparing for the additional disclosure requirements. One of the requirements concerns the disclosure of so-called **Principle Adverse Impact (PAI) Indicators**. These indicators tackle all sustainable investment pillars, be it the environment, social and governance pillar. On the environmental side, several indicators are linked to climate change (e.g. investees' scope 3 emissions and fossil fuel energy use). Our experience with ESG reporting and our preparatory work throughout 2021 and 2022 should enable us to meet the upcoming disclosure requirements of the SFDR regulation throughout 2023. So which indicators will be disclosed?

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions				
		Scope 2 GHG emissions				
		Scope 3 GHG emissions				
		Total GHG emissions				
	2. Carbon footprint	Carbon footprint				
	3. GHG intensity of investee companies	GHG intensity of investee companies				
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector				
	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				
	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				

With following definitions applied for GHG emissions, carbon footprint and GHG intensity:

(1) 'GHG emissions' shall be calculated in accordance with the following formula:

$$\sum_{n}^{i} \left(\frac{\textit{current value of investment}_i}{\textit{investee company's enterprise value}_i} \times \textit{investee company's Scope (x) GHG emission}_i \right)$$

(2) 'carbon footprint' shall be calculated in accordance with the following formula:

$$\frac{\sum_{n}^{i} \left(\frac{\textit{current value of investment}_i}{\textit{investee company's enterprise value}_i} \times \textit{investee company's Scope 1, 2 and 3 GHG emission}_i \right)}{\textit{current value of all investments (€M)}}$$

(3) 'GHG intensity of investee companies' shall be calculated in accordance with the following formula:

$$\sum_{n}^{i} \left(\frac{\textit{current value of investment}_i}{\textit{current value of all investments (€M)}} \times \frac{\textit{investee company's Scope 1, 2 and 3 GHG emission}_i}{\textit{investee company's €M revenue}_i} \right)$$

More information on climate-related PAI integration, data providers, methodologies and calculations can be found in here.

Next to metrics related to GHG emissions, EU Taxonomy regulation also requires financial institutions and corporates to disclose on the alignment with the sustainable activities as defined in the regulation. Disclosures will be made throughout 2023.

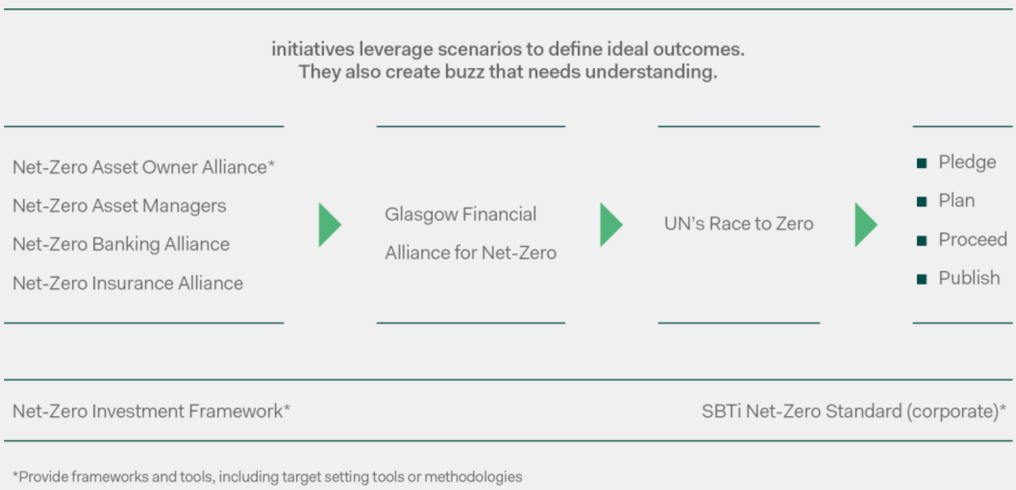
2. TARGETS: SFDR, CONTROVERSIAL ACTIVITIES, AND THE ROAD TO NET ZERO

During the reporting year, carbon emissions-related target setting at portfolio level has been further developed. As such, for all SFDR-classified article 8+ and article 9 funds, a target has been implemented to either attain a portfolio carbon intensity (scope 1, 2 and 3 emissions) below the average carbon intensity of the reference universe before the sustainable investment selection methodology was applied, or to attain a science-based targets coverage (or equivalent) of the portfolio above the one of the reference universe before the sustainable investment selection methodology was applied. A third alternative is an absolute science-based targets coverage target by 2026.

Note that several investment managers also indicate targets linked to fossil fuel exposure or decarbonization of power generating companies. Although not specifically linked to a target as such, DPAM does implement eligibility criteria linked to high-carbon activities, such as O&G, coal and power generation. More details can be found in our Controversial Activities Policy, via following link.

Furthermore, as part of our climate-related risk assessment at issuer level, analysts and portfolio managers do take into account reduction targets of individual issuers. The Glasgow Financial Alliance for Net Zero (GFANZ) was launched in 2021 and combines actions within the financial industry, such as the Net Zero Asset Managers initiative and the Net Zero Asset Owner Alliance (see figure below). These initiatives, in particular the former, will be impacting and guiding DPAM's climate and investment strategy, as we consider it our fiduciary and societal duty to do so.

Net Zero Initiatives Map



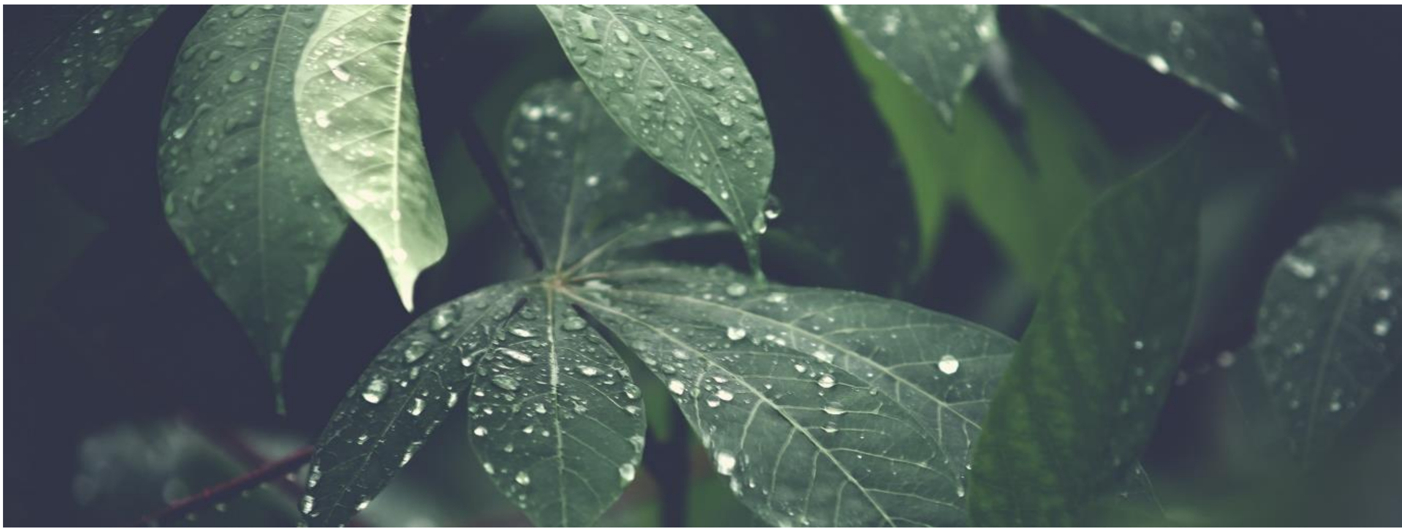
Source: GFANZ

DPAM sees this objective as ambitious and impacting objective, which deserves serious and firm commitment on the consequences and a detailed path including milestones to ensure the result by 2050. Knowing engagement on corporate emissions reduction target setting will be a key pillar of the commitment, our collaborative engagement initiatives with investees strongly focus on the crucial role of setting (science-based) emissions reduction targets. Knowing the 'below two degrees'-alignment of a portfolio by default depends on its constituents, we strongly believe these actions should be prioritized (note that the Science-based Targets initiative also recognizes investee engagement on science-based target setting as a key pillar for investor target setting). As such, an assessment trajectory has been initiated by our TCFD Steering Committee to evaluate the impact of zero-targeting on investment decisions and -universe and a commitment to the Net Zero Asset Managers initiative. The variety of available and existing standards, expectations, pathways, methodologies and tools result in different types of targets set by financial institutions, with implications for investment trajectories and performances. Hence, to ensure we have a clear view on all implications, a thorough feasibility assessment was preferred.

The internal assessment, which took place throughout the second half of 2021 and the first quarter of 2022 incorporated a broad range of feasibility studies, including financial feasibility, investment risk implications, legal compliance, data accuracy and availability, scientific foundations and practical implications. More concretely, the assessment process consists of:

- An assessment of the concepts of 'Paris Alignment' / 'Net Zero' / 'Science-based Targets' for financial institutions (i.e. implications), based on reputed/internationally recognized standards;
- The assessment and selection of appropriate tools/sources for portfolio assessment (incl. best practices), aligned with the above;
- Data gathering, incl. the selection of appropriate providers in case required and data availability assessment;
- A trial/test of the selected tool(s), sources and methodologies;
- An assessment of data accuracy and limitations as well as the use cases (integration in investment decision making, extended reporting, regulatory obligations);
- An assessment of the implications of converting portfolios to the requirements as identified in the steps above, i.e. asset allocation consequences, financial feasibility, investment risk implications (e.g. VaR), asset concentration, green bubbles, overvaluation, etc.;
- Formal recommendations of the TCFD Steering Committee to DPAM's Management Board;
- Decision by DPAM Management Board.

The feasibility steady eventually resulted in a formal commitment in March 2022, with validation in November 2022. More information on the target can be found in the figure below or via following link or publication.



DPAM's validated Net Zero Commitment

INITIAL TARGET DISCLOSURE: NOVEMBER 2022

54.64% of total AUM
initially committed to be managed in line with net zero

USD $28.856 billion
currently committed to be managed in line with net zero

Information on interim target(s) covering the proportion of assets to be managed in line with net zero	**Baseline(s):** 2022 **Target(s):** **2030** (Science Based Target) Portfolio-specific targets, but majority will target by 2030: • 75% (SBT- or 1.5°C-aligned) for carbon intensive industries, in line with TCFD industry classification recommendations. • 50% (SBT- or 1.5°C-aligned) for other industries **GHG scopes included:** Note that for the temperature alignment approach, in the initial stages of the project, DPAM will focus on Scope 1 and Scope 2 emissions. Investee scope 3 emissions are taken into account when deemed material by SBTi and are included in bottom-up climate assessments and engaged dialogues/engagements. Improved coverage and comprehensiveness of scope 3 disclosures will be closely monitored. For the SBT approach, scope 3 emissions are taken into account in line with SBTi Target Validation Protocol. **Methodology:** Science Based Target initiative for Financial Institutions **Scenario(s):** The temperature pathways used in CDP temperature ratings are derived from the UN Intergovernmental Panel on Climate Change (IPCC) 1.5°C report and the Integrated Assessment Modelling Consortium (IAMC) database of climate scenarios. For the targets validated by the Science-based Targets initiative, we rely on their methodology/protocol.
Additional information	**Proportion of AUM committed:** Represents DPAM fund offering (SFDR article 8/9). Sovereign bond investments in all portfolios are excluded (lack of target methodologies). Mandates are not part of the scope. For multi-asset funds (ca. 5% of total AuM) allowed to invest in all listed asset classes, total portfolio AuM is counted. DPAM defines eligible assets as those covered by NZ methodologies as of today. We intend to increase the proportion of assets managed in line with NZ objectives over time (aligned with SFDR article 8, 8bis or 9 products target). For the remaining percentage of listed equity and credit AuM managed via mandates, DPAM will continue to engage clients to increase inflows to strategies that are managed in line with net zero. **Policy on coal and other fossil fuel investments:** Controversial Activities Policy • Mainstream strategies (SFDR article 8): p. 16 (coal) and p.19 (O&G) • Sustainable strategies (SFDR article 8bis and 9): p.40 (coal) and p.43/46 (O&G)

Further information:

DPAM Commits to NZAM

Climate Report

VII. A PROCESS OF **CONTINUOUS IMPROVEMENT**

1. LOOKING BACK: SOME FIRST MILESTONES ACHIEVED

When looking at the past, DPAM achieved already some milestones in the journey towards implementing the TCFD recommendations.

Implementing the TCFD recommendations: what has been done so far?

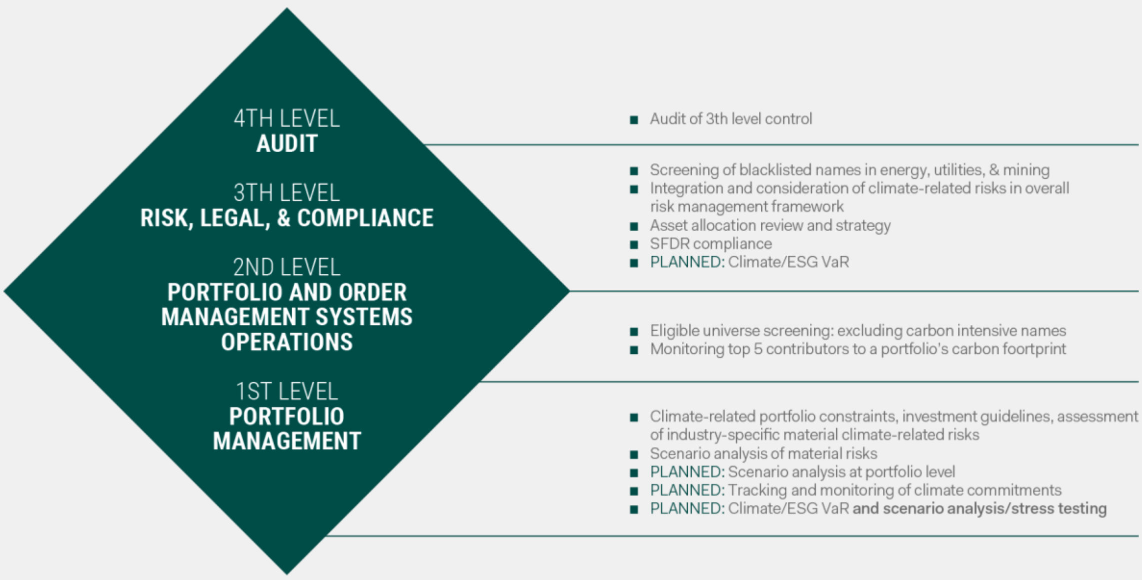
Source: DPAM

2. LOOKING FORWARD: FURTHER IMPROVING OUR CLIMATE-RELATED RISK MANAGEMENT TECHNIQUES

Strategic asset allocation (and the review of this process) is an integral part of the TCFD implementation process for asset managers. Apart from the climate risk assessments on issuer level, developing climate-focused investment strategies and developing and expanding a TCFD exposure dashboard were first steps to diversify our investment activities and strengthen our risk management approach. But as the implementation of the TCFD principles is a complex and a multi-year process, and since there is a large spread in plausible climate scenarios, continuous improvement is key. Hence, in coming years, DPAM plans to improve its TCFD implementation process by broadening the scope of its assessments on different levels:

- further exploring **scenario analysis** at individual position, portfolio and DPAM level to assess vulnerability to different climate scenarios, especially in light of upcoming regulation within the financial industry, already targeting banks, insurers and other investors;
- strengthening the integration of climate-related elements in **strategic asset allocation and risk management** activities, amongst others by exploring the feasibility of a climate/ESG VaR (delayed in 2022, but scheduled for 2023) and macro analysis; and,
- continuing our work to further work towards our **climate-related targets** at DPAM and portfolio level.

TCFD integration in overall Risk Management



Source: DPAM

VIII. ANNEX

1. ANNEX I: TCFD RECOMMENDATIONS (4 PILLARS)

Source: TCFD, 2016

2. ANNEX II: TCFD STEERING COMMITTEE DESCRIPTION

2.1. Intro

A committee of investment professionals was set up to steer the TCFD implementation process. The **TCFD steering committee** consists of several Board and RISG members (incl. the CIOs equities and fixed income), next to the heads of equities and fixed income research). During biannual meetings, fed by the expertise and experience of all our portfolio managers, analysts and the RICC, the committee will continue to review, update and strengthen our climate change strategy and risk management process, including the review of metrics and targets and engagement on environmental concerns.

This document provides an overview of its members and further describes its roles and responsibilities, as assigned and approved by the DPAM Management Board.

2.2. Members

Peter De Coensel *CEO & Chairman of the TCFD Steering Committee*	**Ophélie Mortier** *Chief Sustainable Investment Officer*	**Sam Vereecke** *CIO Fixed Income*	**Johan Van Geeteruyen** *CIO Fundamental Equity*	**Pierre Reymond** Risk Manager
Philippe Denef *CIO Quantitative Equity & Asymmetric Management*	**Jeroen Sioncke** *Head of Risk Management*	**Michael Oblin** *Head of Credit Research*	**Ivo Dierick** *Head of Equity Research*	
Koen Bosquet *Portfolio Manager Fundamental Equity*	**Ronald Van Steenweghen** *Portfolio Manager Fixed Income*	**Gerrit Dubois** *Responsible Investment Specialist*	**Olivier Van Haute** *Head of Global Balanced Fund Management*	

2.3. Roles & Responsibilities

The TCFD Steering Committee has an **advisory** and **operational/executive** role concerning the implementation of the TCFD recommendations in DPAM's overall investment activities. As such, this includes following responsibilities:

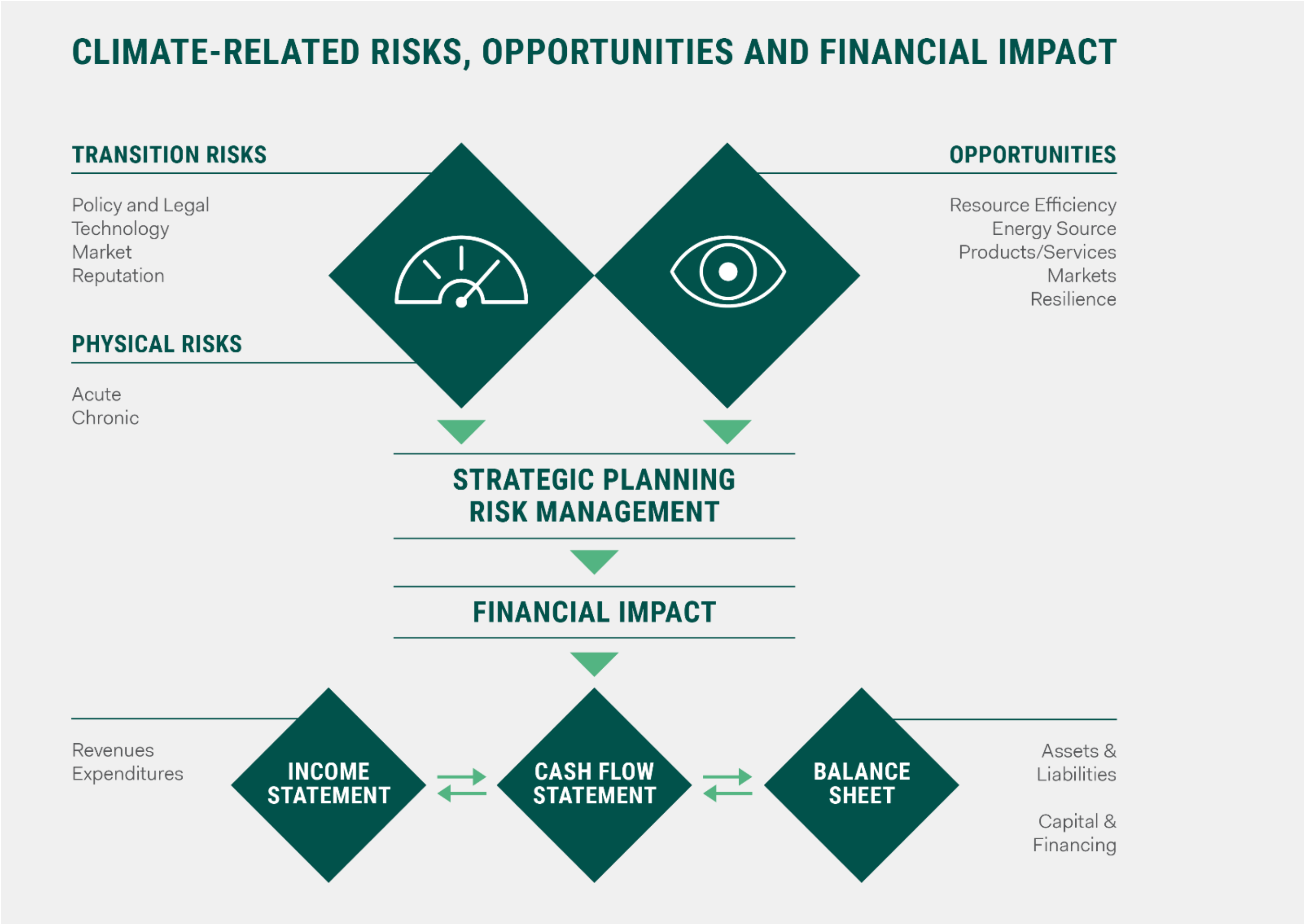
1. **Reporting to DPAM Management Board on the implementation and integration of the TCFD recommendations. This includes:**

- Presenting an annual **status report** (status, progress & future actions, as mentioned in point 2.)
- Presenting a bi-annual **asset allocation overview**, and in case required formulating appropriate recommendations.
- Formulating ad-hoc **recommendations** to the Management Board around **data** providers and **tools** to facilitate the integration of the TCFD recommendations at all levels.
- Formulating ad-hoc **recommendations** to the Management Board around **metrics and targets** setting for portfolios and/or at DPAM level.

2. **Evaluation and steering of operational integration of climate-related risks and opportunities in investment decision making activities, by all actors involved (i.e. portfolio managers, analysts, risk, RICC, sales, IPM). This includes:**

- **Assessing and evaluating** exposure to climate-risks at DPAM level and individual portfolio level through the use of:
  - sector allocation monitoring (i.e. TCFD monitoring dashboard)
  - climate performance and scenario analysis/alignment of individual portfolios
  - TCFD assessments at investee level of all portfolios, with strong focus on engagement
  - climate/ESG VaR
  - + other metrics and tools still to be defined
- Ensuring proper **training** of portfolio managers, analysts and all other actors involved with a strong focus on engagement.

2.4. Annex III: TCFD risk & opportunities framework (link climate change & finance)

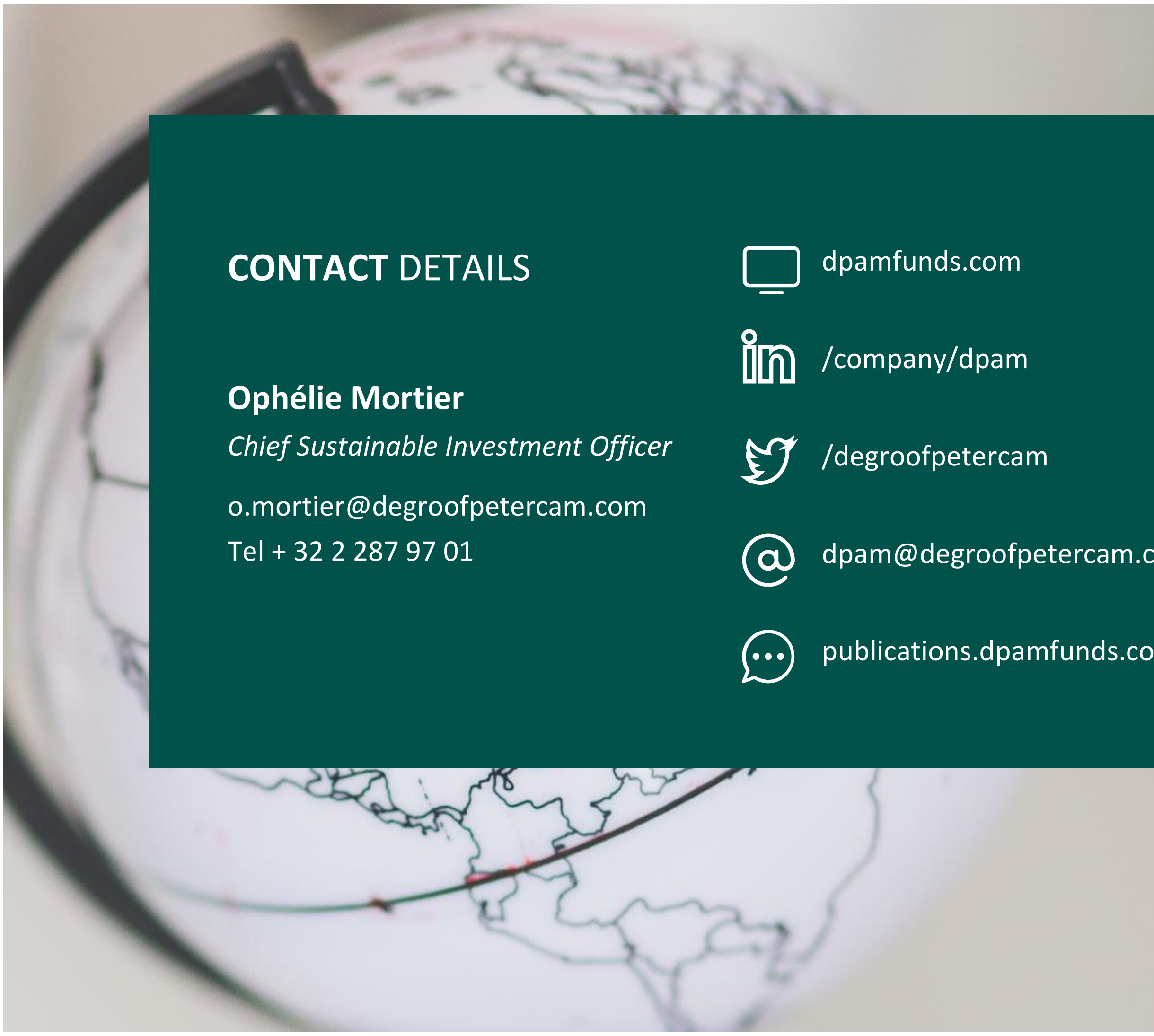


Source: TCFD, 2016

IX. GLOSSARY

CA 100+	Climate Action 100+, a collaborative engagement initiative focused on climate change.
Carbon intensity	The weighted average of the carbon intensity of the portfolio (in tCO2e/$M revenue) is meant to assess the portfolio's carbon risk in the framework of the transition to a low-carbon economy and measures the portfolio's exposure to high-carbon emitting issuers. The calculation method is based on the acknowledged methodology of the Global Greenhouse Protocol and takes into account the scope 1 emissions (direct emissions resulting from sources which are the property of or are controlled by the reporting issuer) and scope 2 emissions (direct emissions relating to the energy use (electricity, heat, steam) required to be able to produce the product on offer).
CDP	Former Carbon Disclosure Project, a not-for-profit charity running the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.
Climate-related opportunities	Opportunities related to the energy transition and society's measures to mitigate the causes of climate change. Four main categories of climate-related opportunities can be identified: resource efficiency, energy source, products/services, markets and resilience.
Climate-related physical risks	Risks which arise as a consequence of climate change (due to the emission of greenhouse gases in the atmosphere). Two categories of climate-related physical risks can be identified: acute risks and chronic risks.
Climate-related transition risks	Risks which arise due to society's measures to mitigate the causes of climate change (i.e. the emission of greenhouse gases in the atmosphere). Four main categories of climate-related transition risks can be identified: policy & legal risk, technology risk, market risk and reputation risk.
EU Emissions Trading Scheme (ETS)	Carbon market for the EU based on cap and trade system with the aim of reducing greenhouse gas emissions in the EU.
EU Green Deal	Europe's new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use.
GFANZ	Glasgow Financial Alliance for Net Zero
Global Carbon Project (GCP)	GCP is a Global Research Project of Future Earth and a research partner of the World Climate Research Programme and integrates knowledge of greenhouse gases for human activities and the Earth system.
FAIRR	Farm Animal Investment Risk & Return; collaborative investor network that raises awareness of the environmental, social and governance (ESG) risks and opportunities brought about by intensive livestock production.

Financial Stability Board	An international body that monitors and makes recommendations about the global financial system. It was established after the G20 London summit in April 2009 as a successor to the Financial Stability Forum
IEA	International Energy Agency a Paris-based autonomous intergovernmental organization established in the framework of the Organization for Economic Co-operation and Development (OECD) in 1974 and acts as a policy adviser to its member states, but also works with non-member countries. The IEA has a broad role in promoting alternate energy sources (including renewable energy), rational energy policies, and multinational energy technology co-operation
IPCC	Intergovernmental Panel on Climate Change (IPCC) is an is an intergovernmental body of the United Nations that is dedicated to providing the world with objective, scientific information relevant to understanding the scientific basis of the risk of human-induced climate change, its natural, political, and economic impacts and risks, and possible response options.
RICC	Responsible Investment Competence Center
RISG	Responsible Investment Steering Group-
SBTi	Science-Based Targets initiative
Scenario analysis	Scenario analysis is a tool to enhance critical strategic thinking, a way to challenge conventional wisdom about the future and an intention to explore alternatives that may significantly alter the basis for “business-as-usual” assumptions. By applying scenario analysis on different climate-related risks, an investor could make more-informed investment decisions and tackle the degree of uncertainty which is inherent to climate-related risks and opportunities.
TCFD	Task force on Climate-related Financial Disclosures
WEF	World Economic Forum



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