DPAM

DEGROOF PETERCAM **ASSET MANAGEMENT**

March 2023

CONTROVERSIAL ACTIVITIES POLICY

CONTENTS

I. INTRODUCTION

A historic leader in Sustainable investing, Degroof Petercam Asset Management (DPAM) has launched its first sustainable strategy in 2001 and it has continuously enhanced its offering of Sustainable strategies since then. At DPAM, it is our conviction that sustainable investing is a long-term trend, which is to continue in the future. Because Sustainable and Responsible Investing ("SRI") is essential to the identity of DPAM - as illustrated by our motto: Active – Sustainable – Research driven - we strive to offer sustainable strategies achieving a high level of quality from an environmental, social and governance ("ESG") perspective. Leveraging our twenty+ years learning-curve, we have set-up a robust sustainable investment process, capitalising on our in-house expertise in positive sustainability screenings (Best-In-Class/Best-In-Universe, ESG scorecards, thematic stock-picking), in negative screening (Norms-Based, Controversial Activities), as well as in Corporate Engagement & Proxy-voting, and more recently in impact finance.

Negative screenings, and in particular the controversial activities screening have an important role to play in ensuring that investment portfolios are not exposed to corporate activities that are deemed unethical and / or irresponsible and / or unsustainable. In this document, DPAM aims to communicate in full transparency on which business activities and sectors it **excludes** from its investment strategies. Moreover, DPAM applies **an ESG integration approach** onto several controversial activities. In such case, DPAM favours a flexible inclusion of ESG matters into investment decisions, over "hard exclusions" forcing portfolio managers to divest (yet, hard exclusions may still apply, as explained below). Within the framework of DPAM's ESG integration approach, DPAM's centre of expertise in the area of sustainable and responsible finance (the "*Responsible Investment Competence Centre*") sensitizes portfolio managers over the sustainability risks associated with some sectors. This leads portfolio managers to reduce their portfolio exposure to these contentious sectors (underweight positions) and possibly to divest from these sectors. The sectors and activities subject to DPAM's ESG integration approach are also listed in this Policy. Furthermore, we must specify that all DPAM strategies which are applying the ESG integration approach may also be applying some hard exclusions, in addition. In other words, DPAM strategies are combining different ESG tools (such as the ESG integration approach, the Controversial Activities policy, etc.) in their investment process, and the use of the ESG integration approach does not preclude the use of hard exclusion rules.

Importantly, DPAM effectively excludes some of these controversial activities not only from its **sustainable strategies** but also from its **mainstream strategies**. This further demonstrates DPAM's commitment towards sustainability. The controversial activities exclusions applying to mainstream strategies are outlined in the first part of this Policy. The exclusions applying to our sustainable strategies are detailed in the second part of this Policy.

A **controversial activity**: refers to a business activity that stirs-up debate among various parties and that is contentious.

For DPAM, three key elements are common to all controversial activities:

- There are **diverging opinions** on a particular topic or question, fuelling a debate, with exchanges of arguments between several parties;
- There is a **discussion taking place** among the parties **over a period of time**;
- The debate cannot be resolved easily. This illustrates the complexity of the topic or issue which is discussed and the difficulty of settling diverging opinions.

In the context of sustainable finance, the key stake is to define the position of DPAM on each of these controversial activities, and to eventually decide whether to fully divest from the companies involved in controversial activities, or to only recommend a reduction of our portfolios' exposure. When deciding whether or not to exclude a controversial activity from its investment portfolios, DPAM follows a pragmatic approach based on dialogue, in-depth expertise and consistency. DPAM sees exclusion as a last recourse. DPAM's approach is to advocate best sustainability practices within each economic sector. Rather than divesting from whole sectors, DPAM aims to identify the leaders within each sector and to avoid the laggards which may potentially harm the reputation of the company and its investments.

Complementing DPAM's in-house knowledge with external expertise: Listening to specialists

Ahead of determining its position on controversial activities and with a view to define a well-balanced, robust and consistent controversial activity policy, DPAM firstly aims to develop a better understanding of the debate, of its broad context, and of its causes and effects. To this end, DPAM consults subject experts who enlighten us about sustainability topics, and often help us looking at the subject from alternative point of views.

Every quarter, DPAM invites external experts (academics, scientists, NGO representatives, etc.) to speak at specially organized internal conferences called the *Responsible Investment Corners*. All DPAM staff members are invited and debates are organized with a view to allow for a genuine exchange of ideas and to make sure that no question or remark is taboo. For example, DPAM has invited the Secretary-General of the nuclear Research Centre in Mol (Belgium) to share his view on the risks and benefits of nuclear energy notably in the context post the Fukushima accident.

Another RI Corner hosted a Professor from the University of Ghent (Belgium), who, as an expert on biofuels, extensively discussed their impact on foodstuff prices.

Shale gas is another contentious subject DPAM has been reflecting upon. A professor of geology from the University of Brussels provided us with a detailed description of the actual environmental impact of shale gas and put it into perspective with alternative energy sources.

Recently, a Professor from KU Leuven who is an expert in bioengineering and bio-economics expanded on biotechnology in the context of agriculture.

II. **SCOPE** OF THE POLICY

This Controversial Activities Policy is applied consistently to all DPAM-labelled public funds and sub-funds for which DPAM acts as Management Company. Unless otherwise contractually agreed with DPAM, it does not apply neither to discretionary portfolio management mandates DPAM manages on behalf of institutional asset owners/investors, nor to funds and sub-funds managed by DPAM by delegation for external parties. It may apply to a non-public fund managed by DPAM to the extent foreseen in its offering document.

III. **OBJECTIVES** OF THE POLICY

This controversial activities policy aims at describing and explaining DPAM's choices in terms of exclusions and restrictions on investments in corporate activities that are deemed unethical and / or irresponsible and / or unsustainable. As such, this policy plays an important role in DPAM's effort to avoid sustainability risks and to reduce as much as possible the negative impact of its investments.

This controversial activities policy applies to investments with environmental and/or social characteristics as well as to investments with sustainable objectives, in full alignment with the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter called "SFDR regulation"). This policy also covers exclusions and restrictions applying to investments classified as "other" following the SFDR regulation.

This policy details the exclusions and/or investment restrictions DPAM is applying to its sustainable strategies and/or to its mainstream strategies. It also describes the exclusions and/or restrictions applying to actively managed strategies and index-tracking strategies, as well as those applying to equity strategies, credit strategies, balanced strategies, or other groups of DPAM strategies. Additionally, this policy covers the case of several controversial activities for which DPAM applies an ESG integration approach. In such cases, DPAM favours a flexible inclusion of ESG matters into investment decisions, over "hard exclusions" forcing portfolio managers to divest (even though for a given DPAM strategy, the use of the ESG integration approach with respect to one controversial activity does not preclude the use of hard exclusion rules for another controversial activity).

Importantly, several controversial activities (e.g., thermal coal extraction, power generation from coal, and several types of controversial armaments, etc.) are either excluded or restricted for all funds and sub-funds for which DPAM is the management company. By excluding or restricting investments in these controversial activities for both its sustainable and mainstream strategies, DPAM takes a clear stance in favour of sustainable and responsible investing. These exclusions and restrictions further evidence DPAM's commitments as a sustainable actor.

IV. RESPONSIBILITIES

The integration of Environmental, Social & Governance (ESG) factors is the shared responsibility of the investment professionals at DPAM i.e., portfolio managers, fundamental analysts, and responsible investment specialists.

Overall, four governance bodies are involved in the SRI investment process: the Responsible Investment Steering Group (RISG), the Voting Advisory Board (VAB), the Fixed Income Sustainability Advisory Board (FISAB) and the TCFD Steering Group. These four governance bodies report directly to the Management Board of DPAM.

With respect to the controversial activities policy and to its enforcement in DPAM investment portfolios (i.e., corresponding to the funds and sub-funds for which DPAM is the management company), DPAM relies on a three steps process: (1) collection of the relevant data, (2) creation of exclusion lists, (3) controls by DPAM risk management department.

The ESG data used in this process of enforcement and control are mainly sourced from extra-financial rating agencies, brokers, NGO reports, and from the companies/issuers themselves. DPAM prioritises the use of the ESG data of the highest quality / reliability and therefore it may use various data sources of its own choice. These data are collected on a quarterly basis (i.e., at least quarterly - DPAM reserves the right to collect data series at any time during the year in case it considers that the previous dataset is no longer accurate enough).

Following each collection of data series, DPAM creates exclusion lists. There is one exclusion list per controversial activity and per group of DPAM strategies applying a similar threshold of exclusion/investment restriction. As an example, since the exclusion rule on Thermal coal extraction varies depending on whether a strategy is sustainable or mainstream, or actively-managed or index-tracking, there may be a total of four exclusion lists on Thermal coal extraction: one exclusion list applying to Sustainable actively-managed strategies, another one applying to Sustainable index-tracking strategies, another one applying to Mainstream actively-managed strategies, and a last one applying to Mainstream index-tracking strategies. These exclusion lists are updated quarterly at least (DPAM reserves the right to update any of these lists at any time during the year in case it considers that the previous list(s) is/are no longer accurate enough). DPAM also produces a mapping file which details which exclusion list applies to which DPAM strategy.

DPAM risk management department oversees the necessary prevention mechanisms (ex-ante risk) and controls (ex-post risk), in order to effectively enforce the exclusion lists into DPAM strategies' investment portfolios. An alert system is set-up, so that portfolio managers are informed by mean of a "pop-up alert message" appearing on their screen when they are attempting to buy a position in a company/issuer which is on one exclusion list applying to the strategy they manage. DPAM risk management is informed of attempts to buy positions in companies/issuers appearing on exclusion lists. In the system, DPAM risk management department can authorize (e.g., in case the alert results from a mistake) or deny such transactions. Moreover, DPAM risk management department conducts daily verifications of portfolios' compositions to ensure that there is no investment in any company/issuer appearing on an exclusion list.

V. **STATEMENT** ON DATA

Performing Sustainable and Responsible investing generally requires significant amounts of data and information, and indeed DPAM uses numbers of data series from various providers (companies/issuers, extra-financial rating agencies, brokers, academic publications, NGO reports, etc.). While in an ideal world all ESG data would be consistent, of high quality, and fully reliable regardless of their origin, in the real world the quality, robustness, consistency and reliability of ESG datasets vary greatly from a source to another, from a data series to another, and even from a year to another. Differences in the scope of reporting, the use of estimates, the time-lag for the data to be effectively available, and other factors, may all affect the final relevance and usability of ESG data series. For this reason, DPAM applies diligence when selecting the ESG data series. When a choice of data series must be made, DPAM favours a pragmatic approach and prioritises the use of the most reliable and/or robust ESG data. Thus, DPAM reserves the right to select the most reliable and/or robust ESG data when applying its ESG screenings and it may use a variety of data sources for this purpose.

VI. DPAM'S CONTROVERSIAL ACTIVITIES POLICY AND THE EU REGULATION 2019/2088 OF 27 NOVEMBER 2019 ON **SUSTAINABILITY-RELATED DISCLOSURES IN THE FINANCIAL SECTOR (SFDR)**

For the purpose of clarifying the link between SFDR and DPAM's Controversial Activities Policy, it is necessary to qualify DPAM's investment strategies according to the classification established by DPAM in line with SFDR, namely:

1. strategies which have a sustainable objective and fall in the scope of article 9 SFDR,
2. strategies which promote environmental and/or social characteristics and are investing partially in sustainable investments (so-called article 8 SFDR plus),
3. strategies which promote environmental and/or social characteristics, without any requirement to invest in sustainable investment (falling in the scope of article 8 SFDR),
4. "other strategies" (neither falling in the scope of article 8, nor 8 plus, nor article 9 SFDR).

Based on DPAM's understanding of SFDR at the time when this policy is issued, DPAM Sustainable strategies (as defined in this Policy) are considered to fall either in the scope of article 9 SFDR products or in the scope of the so-called article 8plus products, while the remaining DPAM Mainstream strategies (as defined in this Policy) fall in the scope of article 8 SFDR products, or qualify as "Other" strategies.

SFDR	Article 9: financial product having sustainable investment as its objective	Article 8 plus: financial product promoting environmental and/or social characteristics, investing partially in sustainable investments	Article 8: financial product promoting environmental and/or social characteristics, without any requirement to invest in sustainable investment	Others
DPAM CONTROVERSIAL ACTIVITIES POLICY	DPAM Sustainable Strategies *		DPAM Mainstream Strategies*	

**NB: this classification is only valid for funds and sub-funds which have DPAM as their management company. For further detail please refer to the section on Scope of the policy.*

DPAM's Controversial Activities Policy plays an essential part in ensuring that DPAM's article 9 and article 8 plus investment strategies fully comply with the "*do not significantly harm*" principle, as referred to in the SFDR for sustainable investments. Such principle requires that sustainable investments do not significantly harm an environmental or social sustainable objective as defined in article 2(17) SFDR. By way of screening-out companies/issuers involved in the several controversial activities listed in this Policy, DPAM avoids investing in activities which are likely to cause significant harm to the environmental and social objectives as defined in SFDR. In this endeavour, DPAM's Controversial Activities Policy is also supported by additional DPAM's tools, such as the exclusion of issuers involved in severe ESG controversies and the exclusion of issuers which are non-compliant with recognized Global Standards (i.e., UN Global Compact, ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties). Consequently, all exclusions defined in this Policy and applying to DPAM Sustainable strategies shall be regarded as contributing to the "do no significant harm" principle, applying to investment strategies classified as article 9 and article 8plus categories, as these strategies will invest (partially) in sustainable investments.

With respect to DPAM's Controversial Activities Policy, the covered activities can be linked to the environmental and social objectives as defined in SFDR:

SFDR "DO NOT SIGNIFICANTLY HARM" PRINCIPLE	ENVIRONMENTAL OBJECTIVE	SOCIAL OBJECTIVE
CORRESPONDING CONTROVERSIAL ACTIVITIES EXCLUSIONS IN DPAM POLICY	▪ Thermal coal extraction ▪ Unconventional Oil & Gas ▪ Conventional Oil & Gas ▪ Electricity generation from fossil fuels (coal, oil & gas) ▪ Nuclear Power generation ▪ Palm oil	▪ Controversial Armaments ▪ Conventional Armaments ▪ Civilian Firearms & ammunitions ▪ Tobacco ▪ Gambling ▪ Adult entertainment / pornography ▪ Alcohol

Therefore, in the following texts and tables, we systematically indicate the correspondence between, on the one hand, the pre-existing categories in DPAM Controversial Activities Policy, and on the other hand, the categories defined in SFDR.

VII. **CONTROVERSIAL ACTIVITIES EXCLUSIONS** APPLYING TO MAINSTREAM STRATEGIES

With respect to the SFDR, and based on DPAM's current understanding of SFDR, all DPAM article 8 SFDR products and all DPAM strategies falling into the SFDR "Other" category are applying the exclusion rules detailed in this chapter titled "CONTROVERSIAL ACTIVITIES EXCLUSIONS APPLYING TO MAINSTREAM STRATEGIES"[1].

1. ANTI-PERSONNEL LANDMINES (APL), CLUSTER MUNITIONS (CM), AND DEPLETED URANIUM MUNITIONS AND ARMOURS (DPU)

Anti-Personnel Landmines (APL), Cluster Munitions (CM) and Depleted Uranium Munitions and armours (DPU) are subject to prohibition of financing in several countries. Belgium, France, the UK, the Netherlands, Switzerland, Italy, Spain and Canada (among other countries) have introduced legal limitations to the financing of some or all of these weapons. Thus, the exclusion of these families of controversial weapons is regulatory in nature, and DPAM has set-up the necessary instrument to make sure that all our strategies fully comply with the applicable law. As a matter of fact, most of these regulations only apply to actively managed strategies, and index strategies are generally exempted from these legal requirements. Yet, as a proof of its commitment towards Sustainable and Responsible investing, we at DPAM have decided to go further than the law, by excluding these three families of controversial armaments (i.e., APL, CM, and DPU) from our index strategies as well. Therefore, our index strategies are effectively divesting from any issuer which has a proven involvement in anti-personnel landmines, cluster munitions, or depleted uranium munitions and armours.

In practice, screening corporate involvement in these controversial weapons requires some dedicated research and data. DPAM uses the research from the ESG rating agency: "ISS-Ethix", which has a qualified and specialized team of analysts based in Stockholm. ISS-Ethix provides us with a comprehensive overview of all the companies/issuers (both listed issuers and unlisted issuers) across the world, which are involved in these controversial armaments. ISS-Ethix classifies companies/issuers into three categories to constitute an "alert system": Green (no involvement), Amber (suspected involvement but lacking evidence) and Red (proved involvement). All Red companies/issuers, i.e., companies/issuers with a proved involvement in these controversial weapons, are excluded from all DPAM's funds (actively managed and index-tracking strategies). DPAM again goes further than the law as it also excludes from its actively managed strategies the Amber companies/issuers, meaning companies/issuers which are strongly suspected of being involved in these controversial armaments, but for which evidence of involvement is still lacking (usually because of a lack of transparency).

[1] Insofar as these strategies fall under the scope of DPAM Controversial Activities policy as defined in the section "II. Scope of the Policy" of this document.

DPAM EXCLUSION ON ANTI-PERSONNEL LANDMINES (APL), CLUSTER MUNITIONS (CM), AND DEPLETED URANIUM MUNITIONS AND ARMOURS (DPU)	**EXCLUSION THRESHOLDS**
For mainstream strategies: actively managed strategies, index-tracking strategies and index ESG leaders strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	APL, CM & DPUs: ▪ **Any direct exposure** leads to exclusion

2. BIOLOGICAL AND CHEMICAL WEAPONS

Biological and chemical weapons are widely considered to be controversial weapons, because of the indiscriminate and disproportionate effect they have on civilian populations. They are banned following the Biological Weapons Convention of 1972 (which was the very first international treaty to ban the production of an entire type of weapons of mass destruction, this highlights how controversial these armaments are) and the Chemical weapons convention of 1992, which have both been signed and ratified by almost all countries in the World.

DPAM fully recognizes the controversial nature of these armaments and it excludes from both its actively managed Mainstream strategies and its index-tracking Mainstream strategies all issuers involved in **Biological and Chemical weapons**. This exclusion applies as soon as an issuer directly derives any revenues from activities related to Biological or Chemical weapons.

Since DPAM is also applying the same exclusion rule for its actively managed Sustainable strategies and its index-tracking Sustainable strategies, it follows that DPAM applies a wide exclusion on Biological and/or Chemical weapons from all its DPAM-labelled funds and sub-funds ((i.e., funds and sub-funds which have DPAM as their management company). This further substantiates DPAM's commitment to Sustainable and Responsible finance.

DPAM EXCLUSION ON BIOLOGICAL AND CHEMICAL WEAPONS	**EXCLUSION THRESHOLDS**
For mainstream strategies: actively managed and index-tracking *(↔corresponding to SFDR Art8 products and to "other" products)*	Biological and/or Chemical Weapons: ▪ **Any direct revenue exposure** leads to exclusion

3. NUCLEAR WEAPONS

DPAM further demonstrates its accountability as a responsible investor through restricting investments in issuers involved in nuclear weapons both for its actively managed strategies, and for its index-tracking strategies.

Unlike the other controversial armaments mentioned above, the financing of companies/issuers involved in nuclear weapons is not prohibited under national laws. A prohibition to, inter alia, possess, use, develop and transfer or acquire nuclear weapons is now enshrined in the UN Treaty on the Prohibition of Nuclear Weapons, which was signed on 7 July 2017 and entered into force on 22 January 2021. Belgium is not a signatory and did not ratify this treaty[2]. Yet, the fact that the financing of nuclear weapons is not prohibited by law in Belgium does not mean that DPAM, as an investor, should not question whether such investments are ethically sensitive. To the contrary, nuclear weapons have by design indiscriminate and disproportionate effect on populations (notably through the effects of radiations and radioactive pollution which subsists and causes harm long after the blast). Hence, DPAM views nuclear weapons as controversial weapons, and a dedicated nuclear weapons exclusion policy has been defined.

For all its mainstream strategies (within the framework of this policy), DPAM excludes all issuers which are directly involved in nuclear weapons from a 10% revenue exposure threshold. In other words, all issuers deriving 10% or more of their consolidated revenues are excluded from all DPAM mainstream strategies (within the framework of this policy).

By **indirect involvement** we mean issuers which are involved in nuclear weapons through their shareholding and financing. For our mainstream strategies, we have defined a 50% tolerance threshold for an equity or credit stake in issuers which are directly involved in nuclear weapons. Beyond this critical threshold, an issuer is considered to be indirectly involved in nuclear weapons and it is excluded from all Sustainable strategies. In other words, companies owning an equity or credit stake above 50% in an issuer directly involved in nuclear weapons are excluded from all DPAM mainstream strategies.

[2] https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVI-9&chapter=26.

DPAM EXCLUSION ON NUCLEAR WEAPONS	EXCLUSION THRESHOLDS
For mainstream strategies: actively managed and index *(↔corresponding to SFDR Art8 products and to "other" products)*	Nuclear Weapons: ▪ Directly Involved issuers: from a 10% revenue exposure; ▪ Indirectly Involved issuers from 50% equity stake / credit stake.
For index ESG leaders strategies	Nuclear Weapons: ▪ All companies that manufacture nuclear warheads and/or whole nuclear missiles → exclusion; ▪ All companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles) → exclusion; ▪ All companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons→ exclusion; ▪ All companies that provide auxiliary services related to nuclear weapons→ exclusion; ▪ All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons → exclusion; ▪ All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons Exclusion following the MSCI ESG Leaders Indexes methodology (based on the nature of involvement, not the revenue exposure) → exclusion.

4. TOBACCO

The detrimental effects of tobacco consumption on human health are long known. Yet, the global consumption of tobacco remains close to its all-time high, notably as tobacco consumption is growing in emerging countries. This trend is likely to cause a surge in premature deaths over the coming decades. In addition to this grievous human impact, these fatalities will hinder the socio-economic development of these countries and contribute to locking the affected families into poverty[3]. As a responsible asset manager, DPAM has decided to apply restrictions on issuers involved in tobacco (i.e., not only producers, but also the whole supply-chain) from all its actively managed mainstream strategies. In practice, DPAM excludes all producers of tobacco from a 5% revenues exposure, and all suppliers, distributors and retailers of tobacco from a 15% revenue exposure. These thresholds apply to all actively managed mainstream strategies (within the framework of this policy).

DPAM EXCLUSION ON TOBACCO	EXCLUSION THRESHOLDS
For actively managed mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	Producers: ▪ Revenue exposure ≥ **5%** → exclusion Suppliers, distributors and retailers: ▪ Revenue exposure ≥ **15%** → exclusion
For index mainstream strategies	Producers: ▪ Revenue exposure ≥ **5%** → exclusion Suppliers, distributors and retailers: ▪ Revenue exposure ≥ **15%** → exclusion
For index ESG leaders strategies	*Exclusion based on MSCI ESG Leaders Indexes* Producers: ▪ Revenue exposure ≥ **5%** → exclusion Suppliers, distributors and retailers: ▪ Revenue exposure ≥ **15%** → exclusion

[3] https://www.who.int/tobacco/mpower/mpower_report_tobacco_crisis_2008.pdf

5. THERMAL COAL

In the light of climate change and the Paris Agreement, DPAM acknowledges the incompatibility of continuous thermal coal use with a sustainable future. Generating electricity from coal is particularly carbon intensive, and even though several countries in the World have started phasing-out coal power plants, the total negative contribution of coal power plants to global warming remains very significant. As a matter of fact, complying with a 1.5 degrees scenario requires a complete phasing-out of coal power plants, worldwide by 2050 the latest, and probably mush earlier.

In addition to that, coal power generation is also a major cause of atmospheric pollution, as coal power-plants release mercury, lead, sulphur dioxide, nitrogen oxides, particulates, and various other heavy metals.

As a result, investments in thermal coal-related assets are the subject of increased societal concern, pertaining to its environmental and health impacts and high mitigation and adaptation costs. Overall, the future of thermal coal is being increasingly jeopardized by future climate policies, technological developments, consumer trends, and the evolution of global energy markets. Consequently, thermal coal assets could likely become prone to stranded asset risk. As such, it is in the interest of investors with a medium- to long-term investment horizon to include the stranded assets factor in their risk assessment. In order to take these risks into account in its investment process and to advocate for a timely energy transition that is aligned with climate policy targets, DPAM has decided to extend its initial exclusion rule (which applied on its sustainable investment strategies), and to apply this exclusion rule on DPAM mainstream actively managed strategies and on DPAM mainstream index-tracking strategies (within the framework of this policy).

For Mainstream actively managed strategies, the following thresholds are applied: issuers deriving more than **>10%** of their revenues from thermal coal extraction are not eligible for investment.

Also, DPAM is applying a flexibility criterion here: if a company/issuer has a revenue exposure to Thermal Coal extraction slightly above 10% but is on a clear trajectory to comply with this 10% threshold within two years, a justified waiver can be produced, to be discussed by the RISG, for the RISG to decide whether the company could exceptionally be declared eligible, or not.

For DPAM’s Mainstream index-tracking strategies, all issuers deriving at least **30%** of their revenues from the mining of thermal coal are excluded (in line with MSCI SRI Index methodology). Additionally, all companies/issuers falling into the Bloomberg **GICS10102050** category, corresponding to the sub-industry “**Coal & Consumable Fuels**” sector, are also excluded.

For index ESG leaders strategies all issuers deriving at least 5% of their revenues from the mining of thermal coal are excluded (in line with MSCI ESG leaders Index methodology).

Since DPAM is also applying restrictions on Thermal coal investments for its actively managed sustainable strategies and its index-tracking sustainable strategies, it means that DPAM applies a wide restriction on investment in Thermal coal for all its DPAM-labelled funds and sub-funds (i.e., funds and sub-funds which have DPAM as their management company, and which fall within the framework of this policy). This further underpins DPAM’s commitment to Sustainable and Responsible finance.

DPAM EXCLUSION ON THERMAL COAL	EXCLUSION THRESHOLDS
For actively managed mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	All issuers: ▪ Revenue exposure from thermal coal extraction **> 10%** → exclusion
For index mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	All issuers: ▪ Revenue exposure from thermal coal extraction **≥ 30%** → exclusion ▪ Companies/issuers falling into the Bloomberg **GICS10102050** category, corresponding to the sub-industry "**Coal & Consumable Fuels**" sector, are excluded → exclusion
For index ESG leaders strategies	All issuers: ▪ Revenue exposure from thermal coal extraction **≥ 5%**→ exclusion

6. ELECTRICITY GENERATION FROM FOSSIL FUELS & NON-RENEWABLE ENERGY SOURCES

As stated previously in the section on Thermal coal, DPAM fully welcomes and supports the energy transition and calls for the effective mitigation of climate change. To achieve the ambitious target of limiting global warming to max. +1.5°C, the utilities sector must notably shift its electricity generation mix towards renewables, upgrade the transport and distribution grids, develop storage solutions to alleviate the intermittent and fluctuating energy supply from renewables, and overall increase the diversification of energy sources, away from fossil fuels. Hence, electric utility companies must align their business models and strategies with this climate-friendly model.

In its **mainstream strategies (both actively managed and index-tracking)**, DPAM has decided to apply restrictions on utility companies with exposure to coal electricity generation:

- Exclusion of issuers deriving **>=30%** or more of their revenues from coal power generation.

Some exclusions also apply for DPAM index ESG leaders strategies, in line with the relevant MSCI-ESG index methodology. Please refer to the table below for details.

Since DPAM is also applying restrictions on coal power generation for its actively managed sustainable strategies and its index-tracking sustainable strategies, it means that DPAM applies a wide restriction on investment in coal power generation for all its DPAM-labelled funds and sub-funds (i.e., funds and sub-funds which have DPAM as their management company, within the framework of this policy). This further illustrates DPAM's commitment to Sustainable and Responsible finance.

DPAM EXCLUSION ON ELECTRICITY GENERATION FROM FOSSIL FUELS & NON-RENEWABLE ENERGY SOURCES	EXCLUSION THRESHOLDS
For actively managed mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	All issuers: ▪ Revenue exposure from coal-based power generation ≥ **30%** → exclusion
For index mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	All issuers: ▪ Revenue exposure from coal-based power generation ≥ **30%** → exclusion
For index ESG leaders strategies	All issuers: ▪ Revenue exposure from coal-based power generation ≥ **5%**→ exclusion

7. UNCONVENTIONAL OIL AND GAS: SHALE GAS, OIL SANDS, SHALE OIL AND ARCTIC DRILLING

Shale gas, oil sands, shale oil and Arctic drilling are considered controversial activities mostly because of their potentially significant environmental impact. Shale gas is a water-intensive extraction process and generally requires the use of chemical additives which are injected into the ground. Oil sands extraction often leads to soil pollution. Arctic drilling also entails higher risks of pollution of the environment due to the extreme weather conditions in these regions. Moreover, these activities are also very energy-intensive, and by definition they aim at extracting more fossil fuel from earth, while climate change mitigation actually require that humanity doesn't consume all extractable fossil fuels reserves. As such, shale gas, oil sands and shale oil are increasingly criticized for their direct and indirect contribution to greenhouse gases emissions and ultimately these activities are increasingly considered to be contravening international efforts to mitigate climate change. Overall, the extractions of shale gas, of shale oil, and of oil sands have a higher carbon footprint than conventional oil and gas. Therefore, those unconventional fossil fuels are exposed to a higher carbon risk, as regulation becomes stricter notably within the framework of the mitigation of climate change. Consequently, the risk of stranded assets is increasingly significant.

In light of the above, DPAM has decided that all issuers with a **share of unconventional Oil & Gas in their total Oil & Gas production higher than > 20%** are excluded from all actively managed mainstream strategies (within the framework of this policy).

Also, DPAM is applying a flexibility criterion here: if a company is on a clear trajectory to comply with the abovementioned criteria within 2 years, a justified waiver can be produced and discussed by the RISG, for the RISG to decide whether the company could exceptionally be declared eligible, or not.

DPAM EXCLUSION ON UNCONVENTIONAL OIL & GAS: SHALE GAS, OIL SANDS, SHALE OIL AND ARCTIC DRILLING	**EXCLUSION THRESHOLDS**
For actively managed mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	All issuers: ▪ Share of unconventional Oil & Gas in the issuer's total Oil & Gas production **> 20%** → exclusion
For index ESG leaders strategies	All issuers: ▪ Revenue exposure from unconventional Oil & Gas extraction ≥ **5%**→ exclusion

8. SOVEREIGN BONDS SPECIFIC EXCLUSIONS

8.1 Criteria for exclusion

The following exclusions apply to the investment universe of sovereign mainstream strategies classified as **SFDR Article 8**:

- Developed markets universe:
  - Exclusion of countries that **both do not respect a minimum of democracy** according to the **Freedom House** country classification, i.e., countries classified as 'non-free', **AND do not respect a minimum of democracy** according to the **Democracy Index**, published by the Economist Intelligence Unit, i.e., countries classified as '**authoritarian'**.
- Emerging markets universe:
  - Exclusion of countries that both do not respect a minimum of democracy according to the Freedom House country classification, i.e., countries classified as 'non-free', AND do not respect a minimum of democracy according to the Democracy Index, published by the Economist Intelligence Unit, i.e., countries classified as 'authoritarian'.

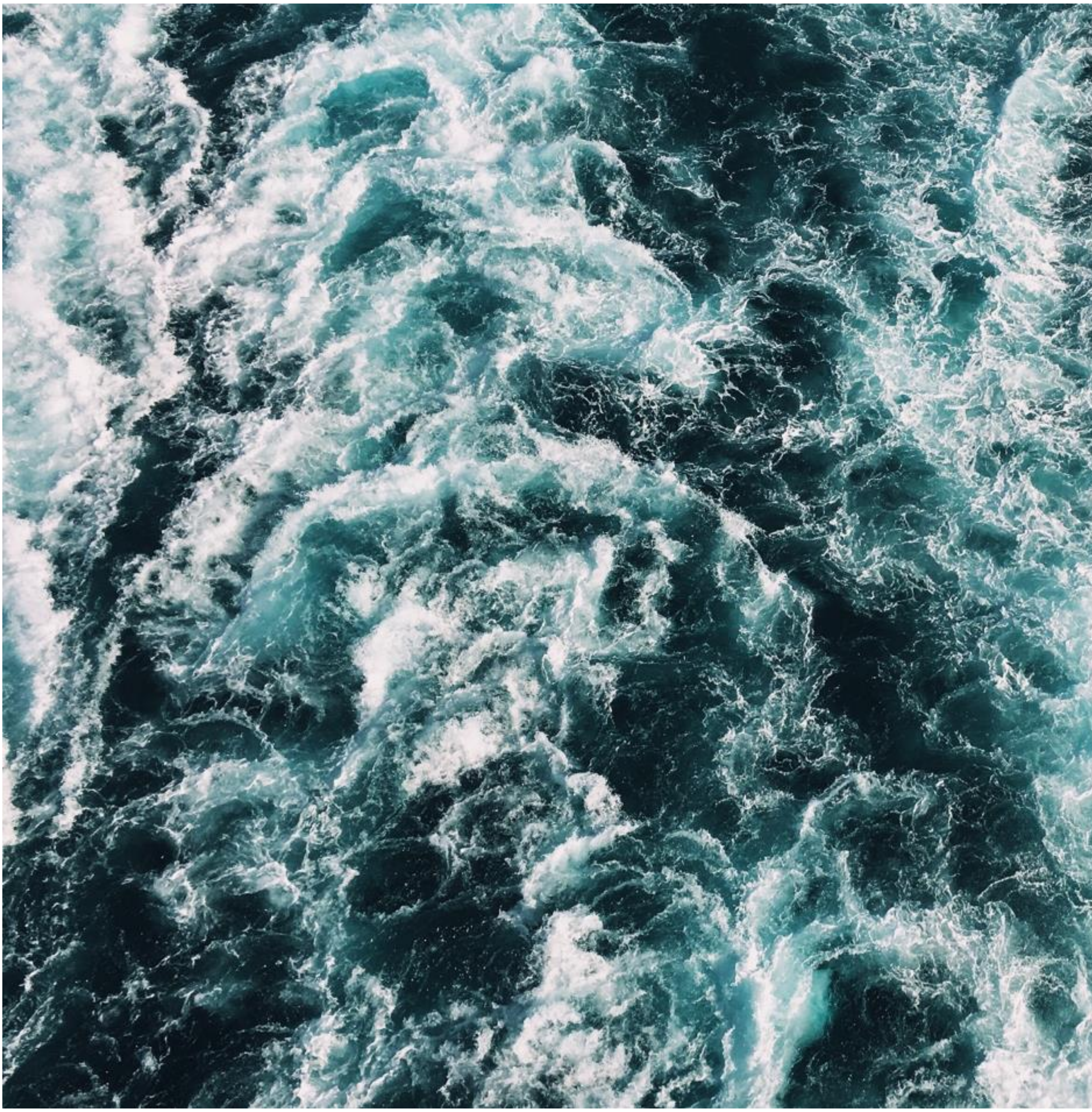
For Article 8 strategies which can invest in non-euro denominated bonds, an exception is made for reserve currency countries:

- A reserve currency is defined as a currency in the International Monetary Fund Special Drawing Rights (IMF SDRs). https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/14/51/Special-Drawing-Right-SDR
- These cover the following: United States, Eurozone, United Kingdom, Japan, China.
- If a country were to be impacted by an exclusion, it remains eligible because of the crucial importance of reserve currencies/rates markets in a (globally) diversified government bond portfolios
- In case a reserve currency country were to be impacted by an exclusion, its weight is capped at its weight in the IMF SDR basket weight (table from link above), as a percentage of total portfolio:

CURRENCY	WEIGHTS DETERMINED IN THE 2015[4] REVIEW
U.S. Dollar	41.73
Euro	30.93
Chinese Yuan	10.92
Japanese Yen	8.33
Pound Sterling	8.09

[4] Note that these weights have Update cycles of 5 year. Due to Covid-19 no update was made in 2020, but this is expected in 2022.

- For example, if China were to be impacted by the exclusion framework, its weight as a reserve currency issuer would be capped at 10.92% of the total portfolio.
- Given that we are based in the eurozone and most of our clients use the euro as a base currency, the euro as a currency would never be excluded, but individual countries in the currency zone could be excluded.



9. ESG AS OUR FIDUCIARY DUTY

As a historic player in sustainable finance, DPAM is willing to build and maintain relationships with the other stakeholders which are active in the domain of sustainable development. DPAM believes that dialogue and constructive exchange of ideas are fundamental to continuously improve our understanding of sustainability issues and trends. This helps us identifying the sustainability risks and opportunities our investments are exposed to, and to take them into account throughout our investment decisions. In this way, we are convinced that developing our sustainability expertise helps us fulfilling our **fiduciary duty** towards our clients.

In this context, DPAM monitors the compliance of its mainstream portfolios with recognized Global standards (i.e., the UN Global Compact, ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties) as well as their exposure to several additional “controversial activities”. This monitoring does not lead to any formal exclusion. Yet, our mainstream portfolio managers are increasingly encouraged to take them into account throughout their investment decisions. This is part of DPAM’s ESG integration approach, which is applied to all mainstream strategies.

Throughout the monitoring of portfolio’s compliance with **recognized Global Standards** (i.e., the UN Global Compact, ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties), DPAM wishes to promote the fundamental human rights and labour rights, to adopt a precautionary approach towards environmental issues, to oppose corruption, to support transparency over tax-optimization practices, and to encourage sound corporate governance practices.

Additional details about DPAM’s positions on several sectors, business activities and sustainability issues are available in the “other controversial activities and sustainability” section at the end of this document.

10. SUMMARY TABLE OF THE EXCLUSION APPLYING TO MAINSTREAM STRATEGIES

EXCLUSIONS APPLYING TO MAINSTREAM STRATEGIES: *(↔corresponding to SFDR Art8 products and to "other" products)*		EXCLUSION THRESHOLDS
	Anti-personnel landmines (APL), cluster munitions (AM), and depleted uranium munitions and armours (DPU)	Exclusion from **actively managed mainstream strategies,** from **index-tracking mainstream strategies and from index ESG leaders strategies,** of all issuers involved in Anti-personnel landmines (APL), cluster munitions (AM), or depleted uranium munitions and armours (DPU) ▪ **Any direct exposure** / revenues leads to exclusion
	Biological and/or Chemical weapons	Exclusion from **actively managed mainstream strategies** and from **index-tracking mainstream strategies** of directly Involved issuers: ▪ **Any direct revenue exposure** leads to exclusion

EXCLUSIONS APPLYING TO MAINSTREAM STRATEGIES: (↔*corresponding to SFDR Art8 products and to "other" products)*	**Nuclear weapons**	EXCLUSION THRESHOLDS	Exclusion from **actively managed mainstream strategies** and from **index-tracking mainstream strategies** of: Directly Involved issuers: ▪ Revenue exposure **≥ 10%** → exclusion Indirectly Involved issuers: ▪ Equity stake or credit stake **≥ 50%** → exclusion For **index ESG leaders strategies**: ▪ All companies that manufacture nuclear warheads and/or whole nuclear missiles → exclusion; ▪ All companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles) → exclusion; ▪ All companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons→ exclusion; ▪ All companies that provide auxiliary services related to nuclear weapons → exclusion; ▪ All companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons → exclusion; ▪ All companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons Exclusion following the MSCI ESG Leaders Indexes methodology (based on the nature of involvement, not the revenue exposure) → exclusion

EXCLUSIONS APPLYING TO MAINSTREAM STRATEGIES: (←→corresponding to SFDR Art8 products and to "other" products)		EXCLUSION THRESHOLDS	
	Tobacco		Exclusion from **actively managed mainstream strategies** of: Producers: ▪ Revenue exposure **≥ 5%** → exclusion Suppliers, distributors and retailers: ▪ Revenue exposure **≥ 15%** → exclusion Exclusion for **Index Mainstream strategies** of: Producers: ▪ Revenue exposure **≥ 5%** → exclusion Suppliers, distributors and retailers: ▪ Revenue exposure **≥ 15%** → exclusion Exclusion for **Index ESG leaders strategies** of: Producers: ▪ Revenue exposure **≥ 5%** → exclusion Suppliers, distributors and retailers: ▪ Revenue exposure **≥ 15%** → exclusion
	Thermal Coal		Exclusion from **actively managed mainstream strategies** of: All issuers: ▪ Revenue exposure from thermal coal extraction **> 10%** → exclusion Exclusion from **index mainstream strategies** of: All issuers: ▪ Revenue exposure from thermal coal extraction **≥ 30%** → exclusion ▪ Companies/issuers falling into the Bloomberg **GICS10102050** category, corresponding to the sub-industry "**Coal & Consumable Fuels**" sector, are excluded → exclusion Exclusion from **index ESG leaders strategies** of: ▪ Revenue exposure from thermal coal extraction ≥ 5% → exclusion

EXCLUSIONS APPLYING To SFDR Art 8 sovereign bonds		
	Electricity generation from Fossil Fuels & Non-Renewable Energy Sources	Exclusion from **actively managed mainstream** strategies and from **index-tracking mainstream strategies** of: All issuers: ▪ Revenue exposure from coal-based power generation **≥ 30%** → exclusion Exclusion from **index ESG leaders strategies** of: ▪ Revenue exposure from thermal coal-based power generation ≥ 5% → exclusion
	Unconventional oil & gas: Shale gas, Shale oil, Oil sands and Arctic drilling	Exclusion from **actively managed mainstream** strategies of: All issuers: ▪ Share of unconventional Oil & Gas in the issuer's total Oil & Gas production **> 20%** → exclusion Exclusion from **index ESG leaders strategies** of: ▪ Revenue exposure from unconventional oil & gas extraction ≥ 5% → exclusion
	Democratic requirements	Exclusion **from actively managed mainstream SFDR Art8 strategies** of: All issuers ▪ Both non free according to Freedom House and Authoritarian regimes from Democracy index **Exception for reserve currency**

VIII. **CONTROVERSIAL ACTIVITIES EXCLUSIONS** APPLYING TO SUSTAINABLE STRATEGIES

With respect to SFDR and based on DPAM’s current understanding of SFDR, all DPAM article 9 SFDR products and all DPAM article 8 plus, are applying the exclusion rules detailed in this chapter titled “CONTROVERSIAL ACTIVITIES EXCLUSIONS APPLYING TO SUSTAINABLE STRATEGIES”[5].

1. ANTI-PERSONNEL LANDMINES (APL), CLUSTER MUNITIONS (CM), AND DEPLETED URANIUM MUNITIONS AND ARMOURS (DPU)

With a view to set-up a robust, systematic and judicious exclusion policy on issuers involved in these controversial weapons, DPAM has adopted a detailed approach, based on the following criteria. Firstly, issuers can be involved in legally excluded controversial weapons through various means:

- The issuer can be the **manufacturer** of a legally excluded weapon system (APL, CM, and DPU). This is a case of “**direct involvement**”.
- The issuer can be a **supplier** of critical components or critical services for a legally excluded weapon system. This is another case of “**direct involvement**”.
- The issuer can provide **financing** to an issuer with is directly involved in a legally excluded controversial armament (the cases of the first two bullet-points above here). This is then a case of indirect involvement (no exclusion at this stage).

Secondly, for a component or service to be considered a “**critical component**” or a “**critical service**”, and constitute a cause for the exclusion of an issuer, the component or the service must meet cumulatively the following two conditions:

The component or the service must be **specifically designed** or specifically made or specifically modified, for the legally excluded weapons;

The component or the service must play a **relevant role** in the weapons system. In other words, we do not exclude issuers providing so-called dual-use components or dual-use services. This means we would not exclude an issuer providing products and services which are part of the supply-chain of a legally excluded controversial armament, but which would play a negligible / not relevant role in the armament system. For instance, facility cleaning services at a site involved in a controversial armament’s supply-chain does not play a relevant role in the controversial armament weapon system, and therefore does not constitute a reason for the exclusion of an issuer.

[5] Insofar as these strategies fall under the scope of DPAM Controversial Activities policy as defined in the section “II. Scope of the Policy” of this document.

Analysing corporate involvement in controversial activities requires data on issuers' business activities. DPAM conducts its own complementary analysis thanks to DPAM's centre of expertise dedicated to sustainable finance, the *Responsible Investment Competence Centre* ("RICC").

Yet, as a first step, DPAM purchases dedicated data from three ESG rating agencies, namely ISS-Ethix, MSCI-ESG and Sustainalytics. In practice, DPAM first and foremost refers to the list of involved issuers drawn up by ISS-Ethix. The ISS-Ethix's list provides a comprehensive overview of all the issuers (both listed and unlisted) across the world, which are directly involved in anti-personnel landmines (APL), cluster munitions (CM), and depleted uranium munitions and armours (DPU). ISS-Ethix classifies issuers into three categories to constitute an "alert system": *Green* (no involvement), *Amber* (suspected involvement but lacking evidence) and *Red* (proved involvement).

DPAM excludes all "*Red*" issuers from all DPAM's Sustainable strategies (actively managed and index-tracking strategies). In addition to that, DPAM also excludes from its actively managed sustainable strategies all "*Amber*" issuers.

With respect to DPAM's sustainable index-tracking strategies, all issuers deriving any direct revenues from anti-personnel landmines, cluster munitions, and depleted uranium munitions & armours are excluded (in line with MSCI SRI index methodology).

DPAM EXCLUSION ON ANTI-PERSONNEL LANDMINES (APL), CLUSTER MUNITIONS (CM), AND DEPLETED URANIUM MUNITIONS & ARMOURS (DPU)	**EXCLUSION THRESHOLDS**
For Sustainable strategies: actively managed and index-tracking strategies *(↔corresponding to SFDR Art9 and art8plus products)*	All issuers involved in anti-personnel landmines, cluster munitions, or depleted uranium munitions and armours-related activities or providing dedicated equipment or services: ▪ **Any direct exposure** leads to exclusion

Regarding investments in sustainable government bonds, DPAM's Sustainable Sovereign bonds strategies are applying a scoring criterion in relation to the *Ottawa treaty* on Anti-Personnel Landmines. In practice, if a state fails to ratify the Ottawa Treaty, it will obtain a score of zero on this criterion. Thereby, such state will be penalised in respect of its overall sustainability score.

2. BIOLOGICAL AND CHEMICAL WEAPONS

Biological and chemical weapons are widely considered to be controversial weapons, because of the indiscriminate and disproportionate effect they have on civilian populations. They are banned following the Biological Weapons Convention of 1972 (which was the very first international treaty to ban the production of an entire type of weapons of mass destruction, thus highlighting their controversial nature) and the Chemical weapons convention of 1992, which have both been signed and ratified by almost all countries in the World.

DPAM fully recognizes the controversial nature of these armaments and it excludes from both its actively managed Sustainable strategies and its index-tracking Sustainable strategies all issuers involved in **Biological and Chemical weapons**. This exclusion applies as soon as an issuer directly derives any revenues from activities related to Biological or Chemical weapons.

Since DPAM is also applying the same exclusion rule for its actively managed Mainstream strategies and its index-tracking Mainstream strategies, it means that DPAM applies a wide exclusion on Biological and/or Chemical weapons from all its DPAM-labelled funds and sub-funds (i.e., funds and sub-funds which have DPAM as their management company, insofar as they fall within the scope of this policy). This further supports DPAM's commitment to Sustainable and Responsible finance.

DPAM EXCLUSION ON BIOLOGICAL AND CHEMICAL WEAPONS	EXCLUSION THRESHOLDS
For Sustainable strategies: actively managed and index-tracking *(↔corresponding to SFDR Art9 and art8plus products)*	All issuers directly Involved in biological weapons-related activities or providing dedicated equipment or services or chemical weapons-related activities or providing dedicated equipment or services Weapons: ▪ **Any direct revenue** exposure leads to exclusion.

3. WHITE PHOSPHORUS WEAPONS

White phosphorus (WP) is used in a wide range of munitions, mainly to generate smokescreens. It is commonly found in smoke grenades for infantry and for armoured vehicles, in shells used by artillery and mortars, and in tracing ammunitions. White phosphorus self-ignites on contact with air, burns intensively, and can ignite cloth, fuel, ammunition, and other combustibles.

Initially intended to generate smoke, white phosphorus munitions have become increasingly controversial as they have been extensively used as an offensive weapon during the wars in Korea, Vietnam, the Falklands, Chechnya, Iraq, Lebanon, Gaza, Afghanistan, Syria and Ukraine.

White-phosphorus weapons are particularly cruel as they cause very deep burns, and as the absorption of phosphorus into the body cause very serious medical complications like organ failures. The inhalation of the smoke can also cause permanent respiratory damage.

White-phosphorus munitions are generally considered to be Controversial Armaments, as they are likely to have a disproportionate and indiscriminate impact on civilians, due to their lack of precision, the severity of the burns they cause, and the toxicity of white-phosphorus for the human health even weeks after the victim has been affected.

In a similar way to what is done for other controversial armaments, DPAM sources dedicated data from three ESG rating agencies, namely ISS-Ethix, MSCI-ESG and Sustainalytics. In practice, DPAM first and foremost refers to the list of involved issuers drawn up by ISS-Ethix. The ISS-Ethix's list provides a comprehensive overview of all the issuers (both listed and unlisted) across the world, which are involved in white-phosphorus weapons (WP). ISS-Ethix classifies issuers into three categories to constitute an "alert system": Green (no involvement), Amber (suspected involvement but lacking evidence) and Red (proved involvement). DPAM excludes all "Red" companies/issuers from all DPAM's actively managed Sustainable strategies.

DPAM EXCLUSION ON WHITE PHOSPHORUS WEAPONS (WP)	EXCLUSION THRESHOLDS
For actively managed Sustainable strategies: *(↔corresponding to SFDR Art9 and art8plus products)*	All issuers involved in White-Phosphorus weapons (WP)- related activities or providing dedicated equipment or services: ▪ **Any direct exposure** leads to exclusion

4. NUCLEAR WEAPONS

DPAM's nuclear weapons exclusion policy distinguishes between issuers which are directly involved and indirectly involved in nuclear weapons related activities.

We consider issuers to be directly involved when they engage in the **development, testing, production, manufacturing, maintenance, sale or trading of nuclear weapons-related technology, parts, products or services.** Their involvement can occur through the weapon system as a whole, through "critical components" and/or "critical services", or through delivery systems / delivery platforms. In order to be considered as "**critical components**" and/or "critical services" of nuclear arms, two conditions must be met simultaneously:

The component must be a key element of the fully-fledged weapon system, i.e., it must play a "**relevant role**" in the weapons system (we apply the same principle as for legally excluded controversial armament);

And it must have been **designed specifically** to be integrated into a fully-fledged nuclear weapon system. In other words, we do not exclude issuers providing so called dual-use components or dual-use services.

In accordance with the "critical component" criterion, delivery systems / delivery platforms are excluded from our investment portfolios when the delivery systems / platforms are specifically designed or modified to be used with a nuclear weapon. For example, an artillery system modified specifically (may it be its hardware or software) to shoot a nuclear ammunition would be considered a nuclear weapons system. On the contrary, an artillery system which was not initially designed and was not specifically modified to deliver a nuclear warhead might not always be considered a nuclear weapons system.

Moreover, DPAM's exclusion policy of nuclear weapons is based on the following principles:

- We exclude entire companies/issuers not only nuclear weapons-related projects;
- We exclude issuers associated with nuclear weapons including through joint ventures;
- We exclude issuers regardless of their country of origin;
- We exclude issuers regardless of their country of operation;
- We apply DPAM's nuclear weapons policy to all markets;
- We apply DPAM's nuclear weapons policy to all existing and future investments.

For actively managed Sustainable strategies, DPAM excludes all issuers which are **directly involved** in nuclear weapons from any revenue exposure. In other words, all issuers deriving any revenues are excluded from all DPAM Sustainable strategies. For Index-tracking Sustainable strategies, DPAM excludes all issuers which are **directly involved** in nuclear weapons from any revenue exposure. In other words, all issuers deriving any revenues from Nuclear-Weapons-related activities or from providing dedicated equipment or services, are excluded from all DPAM Sustainable strategies.

By **indirect involvement** we mean issuers which are involved in nuclear weapons through their shareholding and financing in/of a company/issuer which is directly involved in nuclear weapons. For Sustainable strategies, we have defined a 10% tolerance threshold for an equity or credit stake in issuers which are directly involved in nuclear weapons. From this critical threshold, the issuer is considered to be indirectly involved in nuclear weapons and it is excluded from all Sustainable strategies. In other words, issuers owning an equity or credit stake equal to or above 10% in an issuer directly involved in nuclear weapons are excluded from all DPAM sustainable strategies (actively managed or index).

DPAM EXCLUSION ON NUCLEAR WEAPONS	EXCLUSION THRESHOLDS
For Sustainable strategies: actively managed	Issuers involved in Nuclear-Weapons-related activities or providing dedicated equipment or services: ▪ Directly Involved issuers: **any revenue exposure** → exclusion; ▪ Indirectly Involved issuers **≥ 10% equity stake or credit stake** → Exclusion;
For Sustainable strategies: index-tracking *(↔corresponding to SFDR Art9 and art8plus products)*	▪ Directly Involved issuers: **≥ 5% exposure** → exclusion; ▪ All companies that manufacture nuclear warheads and/or whole nuclear missiles → exclusion ▪ All companies that manufacture **components** that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles) → exclusion ▪ All companies that manufacture or assemble **delivery platforms** that were developed or significantly modified for the exclusive delivery of nuclear weapons → exclusion ▪ All companies that provide **auxiliary services** related to nuclear weapons → exclusion ▪ All companies that manufacture **components** that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons → exclusion ▪ All companies that manufacture or assemble **delivery platforms** that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons → exclusion ▪ All companies that manufacture **components for nuclear-exclusive delivery platform**s → exclusion ▪ Indirectly Involved issuers **≥ 10% equity stake or credit stake** → Exclusion.

5. OTHER ARMAMENTS

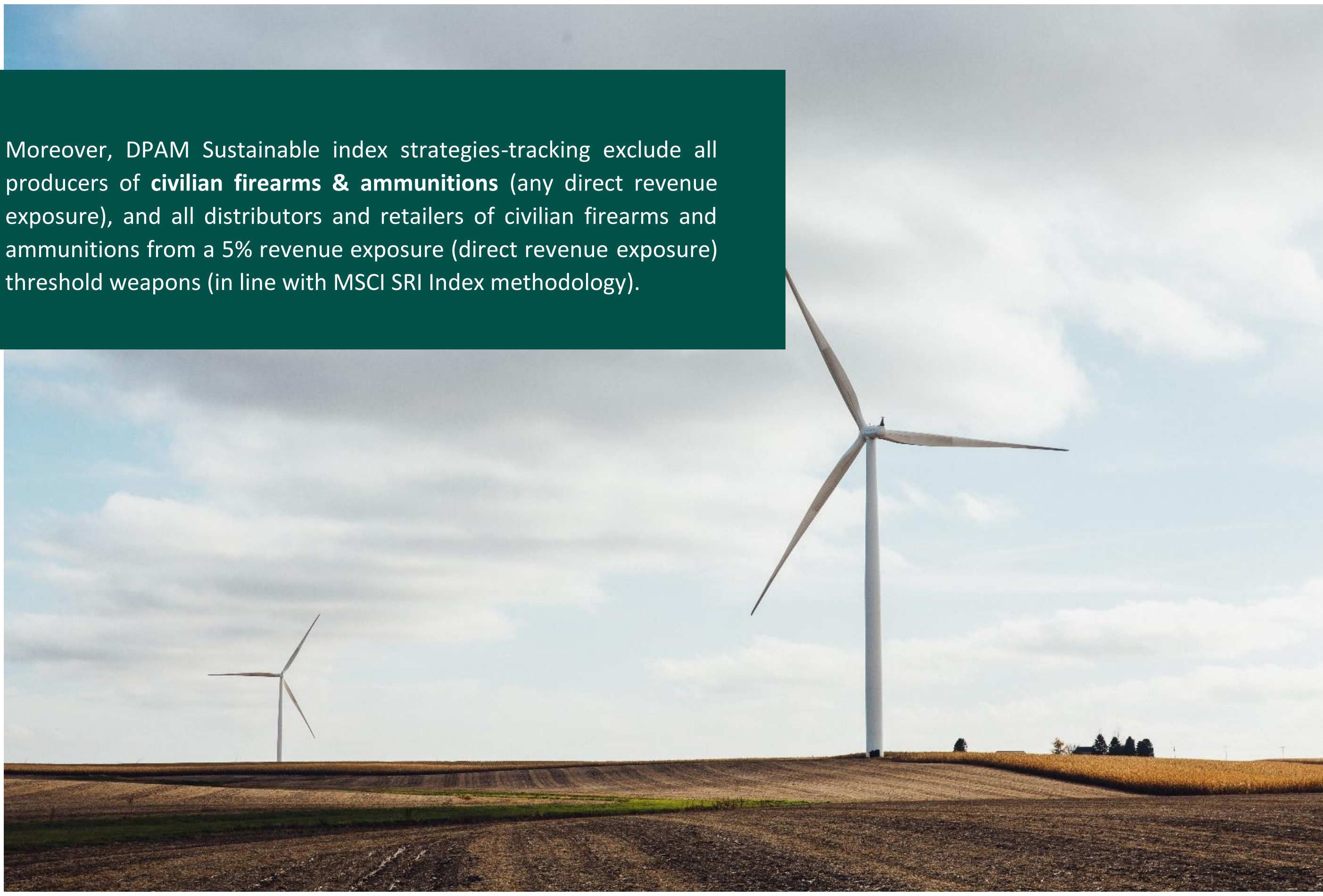
DPAM restricts investments in conventional armaments for its actively managed Sustainable strategies (within the framework of this policy). In effect, DPAM excludes **the whole Defence and Aerospace sector** based on the MSCI-GICS typology as well as all issuers deriving directly **5%** or more of their revenues from conventional armaments.

Moreover, DPAM excludes from its actively managed Sustainable strategies all **civilian firearms and civilian ammunitions**, from a **5%** revenue exposure threshold (direct exposure).

With respect to DPAM Sustainable index-tracking strategies, in addition to the exclusion of anti-personnel landmines (APL), cluster munitions (CM), depleted uranium munitions and armours (DPU), and biological weapons and chemical weapons, are also excluded all issuers deriving any direct revenues from blinding lasers, non-detectable fragments or incendiary weapons (in line with MSCI SRI index methodology).

DPAM Sustainable index-tracking strategies also exclude all issuers deriving at least 5% of their revenues from the production of **conventional weapons**. In addition to this, DPAM Sustainable index-tracking strategies also exclude all issuers deriving at least 15% of their revenues from components, parts or support systems and services related to conventional weapons (in line with MSCI SRI index methodology).

Moreover, DPAM Sustainable index strategies-tracking exclude all producers of **civilian firearms & ammunitions** (any direct revenue exposure), and all distributors and retailers of civilian firearms and ammunitions from a 5% revenue exposure (direct revenue exposure) threshold weapons (in line with MSCI SRI Index methodology).



DPAM EXCLUSION ON OTHER ARMAMENTS	EXCLUSION THRESHOLDS
For actively managed sustainable strategies: *(↔corresponding to SFDR Art9 and art8plus products)*	Aerospace and defence sector: ▪ Exclusion of **the whole sector** based on MSCI-GICS typology; Conventional armaments: ▪ All issuers involved in conventional weapons-related activities or providing dedicated equipment or services from a **5%** revenues exposure threshold → exclusion; ▪ Issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable. Civilian firearms and ammunitions: ▪ All issuers from a **5%** revenues exposure threshold → exclusion
For index sustainable strategies: *(↔corresponding to SFDR Art9 and art8plus products)*	Blinding lasers, non-detectable fragments and incendiary weapons: ▪ **Any direct revenue exposure** leads to exclusion; Conventional armaments: Producers: ▪ Producers from a **5%** revenues exposure threshold → exclusion; Suppliers: ▪ Revenue exposure **≥ 15%** → exclusion; Civilian firearms and ammunitions: Producers: ▪ **Any direct revenue exposure** leads to exclusion; Distributors and retailers: ▪ Revenue exposure **≥ 5%** → exclusion.

6. TOBACCO

Tobacco is first and foremost a controversial topic because of the grievous adverse effect its consumption has on human health. Tobacco use is the world's third cause of death, and a risk factor in six of the eight leading causes of death, worldwide. According to the WHO, tobacco kills more than 7 million people each year, both as a result of direct tobacco use and indirect exposure of non-smokers. More than 1.1 billion persons are smoking, 80% of whom are living in low- and middle-income countries. Statistically, tobacco kills up to half of its users[6].

Besides, the premature deaths caused by tobacco consumption are a significant contributor to poverty and social difficulties for the affected families, particularly in low- and middle-income countries. Tobacco is also a significant drain on national health budgets[7]. Moreover, tobacco farming impacts negatively the health of workers through the "green tobacco sickness", which is caused by the nicotine that is absorbed through the skin from the handling of wet tobacco leaves. Furthermore, the land used for tobacco cultivation could be used for some specific food farming (notably vegetables, garlic and asparagus[8]), which would help curbing food scarcity.

Overall, there are few societal or environmental benefits to the cultivation of tobacco, while its consumption and its production entail significant detrimental effects on human health as well as on economic development and the mitigation of poverty. For these reasons, DPAM has decided to restrict investments in tobacco producers, as well as in the whole tobacco supply-chain from its actively managed Sustainable strategies (within the framework of this policy). In practice, DPAM excludes from its actively managed Sustainable strategies all producers, suppliers, distributors, and retailers of tobacco from a 5% revenue exposure.

Regarding DPAM's Sustainable index-tracking strategies, all tobacco producers are excluded (any direct revenues), as well as all issuers deriving 5% or more aggregate revenue from the production, distribution, retail and supply of tobacco-related products (in line with MSCI SRI index methodology).

DPAM EXCLUSION ON TOBACCO	EXCLUSION THRESHOLDS
For actively managed sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	Producers, suppliers, distributors and retailers of tobacco, products that contain tobacco or the wholesale trading of these products: ▪ Revenue exposure ≥ **5%** → exclusion ▪ Issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable
For index-tracking sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	Producers: ▪ **Any direct revenue exposure** leads to exclusion Suppliers, distributors and retailers: ▪ Revenue exposure ≥ **5%** → exclusion

[6] https://www.who.int/news-room/fact-sheets/detail/tobacco
[7] http://documents.worldbank.org/curated/en/914041468176678949/pdf/multi-page.pdf
[8] http://www.fao.org/docrep/006/y4997e/y4997e03.htm

7. GAMBLING

Gambling is targeted by regulation in many countries, either fully banning it (e.g., Japan or in Poland), or limiting the availability of gambling games notably to protect vulnerable players or ensuring that the odds in gaming devices are statistically random. Gambling is considered as a controversial activity mostly because of addiction issues, and the associated risk of personal bankruptcy. Gambling addiction is recognised as a mental condition by the World Health Organisation since 1982.

DPAM excludes from its actively managed Sustainable strategies all issuers exposed to gambling products and services from a 10% revenue exposure threshold.

Concerning DPAM sustainable index-tracking strategies, all issuers deriving 15% or more aggregate revenue from gambling-related business activities are excluded. In addition to that, are also excluded all issuers deriving 5% or more revenue from the ownership of gambling-related business activities, such as casinos (in line with MSCI SRI Index methodology).

DPAM EXCLUSION ON GAMBLING	**EXCLUSION THRESHOLDS**
For actively managed sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	All issuers: ▪ Revenue exposure ≥ **10%** → exclusion
For index sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	All issuers: ▪ Direct revenue exposure from gambling-related activities ≥ **15%** → systematic exclusion ▪ Indirect revenue exposure from the ownership of gambling-related businesses (casinos) ≥ **5%** → systematic exclusion

8. ADULT ENTERTAINMENT / PORNOGRAPHY

The adult entertainment / pornography industry is widely criticized firstly for the suspected adverse effects it has on society in general (regressive and stereotypical image of genders, detrimental impact on human psychology, etc.). It is also denounced for inherently attempting against human dignity, for its deplorable labour conditions and for contributing to spreading sexually transmitted diseases. Adult entertainment is considered a sin by most of the main religious groups in the world (Christianity, Islam and Judaism). Considering the religious origins of sustainable and ethical investing, it is not surprising that adult entertainment was excluded by many sustainable strategies since the origin of sustainable finance. Nowadays, adult entertainment is the 5th most common excluded activity within the European SRI industry, with more than a third of sustainable strategies excluding it[9].

Looking at the issuers involved, it appears that the adult entertainment / pornography industry is principally a privately-owned industry, with a limited number of publicly listed producers.

Adult entertainment / pornography is illegal in many countries in the world (in most of Africa, the Middle East, East-Asia, and Southeast Asia). It is also subject to regulation in India, Australia, Russia, South-Africa and in the UK. In most western countries, it is not targeted by any sector-specific regulation. In these countries (including Belgium), only to the most extreme forms of pornography, which are considered to be scandalous and as vices, are generally outlawed under Penal Codes.

DPAM is sceptical that this economic sector would be contributing positively to the long-term sustainable development of societies. DPAM also believes that there is a significant risk that the adult entertainment / pornography industry indirectly fails to comply with human rights principles, both because of labour practices (notably the risk of human exploitation) and because of its societal impact on consumers. For these reasons, DPAM has decided to exclude the adult entertainment / pornography sector from its Sustainable strategies.

For its actively managed Sustainable strategies, DPAM excludes systematically all issuers deriving 10% or more of their consolidated revenues from adult-entertainment / pornography-related activities.

With respect to DPAM’s index-tracking sustainable strategies, all issuers deriving 5% or more revenue from the production of adult entertainment / pornography materials are excluded. All issuers deriving at least 15% revenue from the supply, distribution and retailing of adult entertainment / pornography materials are also excluded (in line with MSCI SRI Index methodology).

DPAM EXCLUSION ON ADULT ENTERTAINMENT / PORNOGRAPHY	**EXCLUSION THRESHOLDS**
For actively managed sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	All issuers: ▪ Revenue exposure ≥ **10%** → exclusion
For index sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	Producers: ▪ Revenue exposure ≥ **5%** → exclusion Suppliers, distributors, and retailers: ▪ Revenue exposure ≥ **15%** → exclusion

[9] http://www.eurosif.org/wp-content/uploads/2018/11/European-SRI-2018-Study-LR.pdf

9. ALCOHOL

In many parts of the world, drinking alcoholic beverages is a common feature of social gatherings. Nevertheless, the consumption of alcohol carries a risk of adverse health and social consequences related to its intoxicating, toxic and dependence-producing properties. In addition to the chronic diseases that affect so called-heavy drinkers, alcohol use is also associated with an increased risk of acute health conditions, such as injuries, including from traffic accidents. Also, beyond health consequences, the harmful use of alcohol brings significant social and economic losses to individuals and society at large.

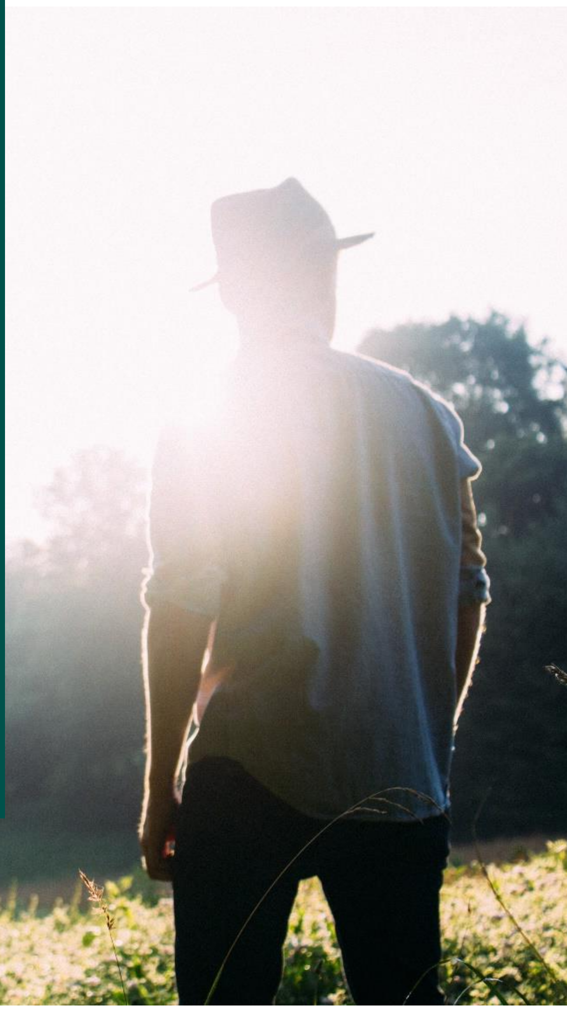
Overall, the damages caused by the excessive consumption of alcohol on individuals, families, communities and the society, justifies that we question whether we should either:

- divest from alcohol exposed issuers;
- and / or require alcohol exposed issuers to take actions with a view to prevent the problematic consumption of alcohol.

Following an in-depth analysis of the matter, DPAM draws the following conclusions:

The negative health and societal impact of alcohol consumption derives from the **improper consumption** of alcoholic beverages, both in terms of the quantity consumed (excessive drinking), and the type of consumer (underage consumers, pregnant women, drinking and driving). Apart from these specific cases, a moderate consumption of alcohol carries a more limited health risk. In other words, the key factor that determines whether someone's consumption leads to a significant health risk is the consumption pattern. Therefore, a relevant approach is to verify whether alcohol companies are actually encouraging the improper consumption of alcohol, or not.

The negative health and societal impact of alcohol consumption cannot be easily traced back to one category of alcoholic beverage, or even to beverages with higher alcoholic content. As a matter of fact, alcoholic beverages with comparably lower alcoholic contents such as beers are typically consumed in larger quantities than beverages with higher alcoholic contents such as liqueurs, resulting in an equally high amount of alcoholic units ingested by the consumer. In other words, excessive drinking is possible and actually occurs through the consumption of beverages with relatively low alcohol-content (such as beer, wine and ciders).



Based on these observations, DPAM updated its exclusion approach with a view to:

1. target the improper consumption of alcohol and aims at identifying the responsibility of companies in it;
2. make no distinction based on the nature of the alcoholic beverage (alcohol content, price range, etc.).

In practice, companies are considered to bear a share of responsibility in the improper consumption of alcohol (i.e., in the occurrence of alcoholism) when their **marketing and commercial practices** effectively encourage the consumption of alcohol either by consumers who should not drink at all (juveniles, pregnant women, drivers), or when their efforts to discourage excessive drinking are deemed insufficient. Therefore, we require all issuers involved in the production of alcoholic beverages (from 10% or more of their consolidated revenues), to put in place a **Responsible Policy**. This Responsible Policy must include both explicit commitments as well as some tangible and effective sets of actions and practices, covering each of the four issues below (which are responsible for most of the health impact):

- **underage drinking**
- **drinking by pregnant women**
- **drinking and driving vehicles**
- **the excessive consumption of alcohol (intoxication).**

Further, DPAM will **engage with the issuers** involved in alcohol production to gather as much information as possible and give the issuers the possibility to express their point of view and provide complementary information. In addition to that, DPAM will review whether these alcohol producers are involved in **controversies related to their marketing and commercial practices**. This approach enables DPAM to differentiate among on the one hand responsible companies which take concrete and tangible measures to discourage improper drinking (and which are not excluded) and on the other hand alcohol companies which fail to live up to their responsibilities (and are excluded from actively managed Sustainable strategies).

Regarding DPAM's Sustainable index-tracking strategies, all issuers deriving 5% or more revenue from the production of alcohol beverages (direct revenue exposure) are excluded. All issuers deriving 15% or more revenue from the production, distribution, retailing, and supply of alcohol beverages (direct revenue exposure) are also excluded (in line with MSCI SRI Index methodology).

DPAM EXCLUSION ON ALCOHOL	EXCLUSION THRESHOLDS
For actively managed sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	Producers: ▪ Revenue exposure ≥ **10%** without a *Responsible Policy (see above for detailed requirements)* → exclusion Suppliers, distributors, and retailers: ▪ no exclusion
For index-tracking sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	Producers: ▪ Revenue exposure ≥ **5%** → exclusion Suppliers, distributors, and retailers: ▪ Revenue exposure ≥ **15%** → exclusion

10. THERMAL COAL

In the light of climate change and the Paris Agreement, DPAM acknowledges the incompatibility of large-scale thermal coal use with a sustainable future. Generating electricity from coal is particularly carbon intensive. And given that approximately 39% of the global electricity supply is still generated from coal[10], the total negative contribution of coal power plants to global warming is very significant (coal power generation currently accounts for more than 40% of carbon gas emissions worldwide). As a matter of fact, complying with a 1.5 degrees scenario, which is necessary to keep control over global warming, would require to completely phase-out all coal power generation, worldwide by 2050 the latest. Given the unfavourable evolution of global greenhouse gases emissions over the last years, it is likely that we actually need to completely phase-out coal even earlier[11]. So, as the former head of the International Energy Agency colloquially stated: “Nothing is worst for the climate than burning coal”[12].

In addition to that, coal power generation is also a major cause of atmospheric pollution, as coal power-plants release mercury, lead, sulphur dioxide, nitrogen oxides, particulates, and various other heavy metals.

As a result, investments in thermal coal-related assets are the subject of increased societal concern, pertaining to its environmental and health impacts and high mitigation and adaptation costs. Overall, the future of thermal coal is being increasingly jeopardized by future climate policies, technological developments, consumer trends, and the evolution of global energy markets. Consequently, thermal coal assets could likely become prone to stranded asset risk. As such, it is in the interest of investors with a medium- to long-term investment horizon to include the stranded assets factor in their risk assessment. In order to take these risks into account in its investment process and to advocate for a timely energy transition that is aligned with climate policy targets, DPAM has decided to restrict investments in thermal coal assets for all its sustainable investment strategies. Meanwhile, for all actively managed strategies across DPAM, potential investments in thermal coal assets will be subject to a monitoring and evaluation process which assesses the relevant risk factors.

1. For actively managed Sustainable strategies, DPAM applies exclusion rules targeting issuers involved in the exploration, mining, extraction, distribution, transport or refining of thermal coal or providing dedicated equipment or services[13].

   In practice, DPAM actively managed Sustainable strategies exclude all issuers involved in the mining, exploration or extraction of thermal coal based on **thermal coal revenue exposure** as defined by our data provider *Trucost* with a **>0% threshold** (unless they meet the criteria (2) and (3) defined below). For issuers involved in refining, distribution, or transport, or providing dedicated equipment or services therefor, this is assessed on an **ad-hoc**, best effort basis due to current data limitations.

   In addition to this, DPAM actively managed Sustainable strategies exclude all issuers on the ***GICS 10102050 “Coal & Consumable Fuels”*** list (unless they meet the criteria (2) and (3) defined below).

[10] https://www.iea.org/publications/freepublications/publication/KeyWorld2017.pdf
[11] https://www.nytimes.com/interactive/2018/12/07/climate/world-emissions-paris-goals-not-on-track.html
[12] https://www.reuters.com/article/us-usa-climatechange/nothing-is-worse-for-climate-than-burning-coal-ex-u-s-epa-chief-idUSKCN1MJ19Y
[13] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : “Use of Proceed Bonds” of this policy, for a detailed explanation.

2. Alternatively to the criterion (1) above, for actively managed Sustainable strategies, DPAM excludes all issuers involved in the exploration, mining, extraction, distribution, transport, or refining of thermal coal, or providing dedicated equipment or services, which either show **an increase in the absolute production of, or show an increase in the capacity** for thermal coal-related products/services, **unless the issuer successfully meets at least one of the following four criteria** (and provided it also meets the condition (3) below):

   - Have a Science Based Target initiative (SBTi) target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment;
   - Derive less than 5% of its revenues from thermal coal-related activities;
   - Have less than 10% of Capex dedicated to thermal coal-related activities and not with the objective of increasing revenue;
   - Have more than 50% of Capex dedicated to contributing activities.

3. On top of the criterion (1) or the criterion (2), an issuer involved in the exploration, mining, extraction, distribution, transport, or refining of thermal coal, or providing dedicated equipment or services still needs to have a strategy to reduce the adverse impact of its activities and to increase its contributing activities (if applicable).

For DPAM's Sustainable index-tracking strategies, all issuers deriving any revenues from the mining of thermal coal are excluded (in line with MSCI SRI Index methodology). Additionally, all companies/issuers falling into the Bloomberg GICS10102050 category, corresponding to the sub-industry "Coal & Consumable Fuels" sector, are also excluded.

This document also includes a section on power generation, which also covers investment in issuers involved in coal power generation.

Since DPAM is also applying restrictions on Thermal coal investments for its actively managed mainstream strategies and its index-tracking mainstream strategies, it means that DPAM applies a wide restriction on investment in Thermal coal for all its DPAM-labelled funds and sub-funds (i.e., funds and sub-funds which have DPAM as their management company). This further substantiates DPAM's commitment to Sustainable and Responsible finance.

DPAM EXCLUSION ON THERMAL COAL	EXCLUSION THRESHOLDS

For actively managed sustainable strategies
 	
(↔corresponding to SFDR Art9 and art8plus products)
	Issuers involved in the exploration, mining, extraction, distribution or refining of thermal coal or providing dedicated equipment or services[14]:
	▪ (1) All issuers with a revenue exposure > 0% in the mining, exploration or extraction of thermal coal[15] → exclusion[16];
	All issuers on the *GICS 10102050 "Coal & Consumable Fuels"* list→ exclusion[17];
	
	▪ (2) Alternatively to criterion (1) above, all issuers showing an increase in the **absolute production of or capacity** for thermal coal-related products/services are excluded unless they meet at least one of the following four criteria:
	  ▪ Have a Science Based Target initiative (SBTi) target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment;
	  ▪ Derive less than 5% of its revenues from thermal coal-related activities;
	  ▪ Have less than 10% of Capex dedicated to thermal coal-related activities and not with the objective of increasing revenue;
	  ▪ Have more than 50% of Capex dedicated to contributing activities.
	
	▪ (3) On top of the criterion (1) or of the criterion (2) above, issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable.

For index sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	All issuers: ▪ Deriving any revenue from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties → exclusion ▪ Companies/issuers falling into the Bloomberg **GICS10102050** category, corresponding to the sub-industry "**Coal & Consumable Fuels**" sector, are excluded → exclusion

[14] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : "Use of Proceed Bonds" of this policy, for a detailed explanation.

[15] For companies involved in refining, distribution or transport, or providing dedicated equipment or services therefor, this is assessed on an ad-hoc, best effort basis due to current data limitations.

[16] Unless they meet the criteria (2) and (3) below.

[17] Unless they meet the criteria (2) and (3) below.

11. UNCONVENTIONAL OIL AND GAS: SHALE GAS, OIL SANDS, SHALE OIL AND ARCTIC DRILLING

Shale gas, oil sands, shale oil and Arctic drilling are considered controversial activities mostly because of their significant environmental impact. Yet, the exploitation of such unconventional fossil fuels has developed very quickly during the 2000' decade, mostly in the USA and in Canada, respectively. The exploitation of these unconventional fossil fuels has had a significant macroeconomic impact at national level in both countries and it is a paradigm shift with regard to these countries' energy supply. In order to clarify the advantages and disadvantages of unconventional fossil-fuels, DPAM had invited a renowned professor of geology from the *Université Libre de Bruxelles*. His presentation had given us the opportunity to better understand the environmental consequences of shale gas.

In the specific case of shale gas, and shale oil, the direct negative environmental impact mostly originates from the consumption of water used to fracture the rocks ("fracking") and from the use of chemical additives which are injected into the ground. While some environmental risks exist, the RI corner presentation had showed that these risks must be taken into perspective. Although in absolute terms water use may be significant, the sector has been steadily improving its water-efficiency. The use of chemical additives had come more limited and so were the risks of spill-over effect into aquifers as shale gas is found far below the aquifer level (between 1,200 and 4,000 meters for shale gas compared to 100 to 360 meters for underground water). Moreover, the use of tubing systems allows for a much better control of these risks. In this way, the various environmental risks coming with shale gas and shale oil are being progressively reduced thanks to technological improvements. This underlines the fact that the manner in which each issuer is running its operations (i.e., the best-practices, policies, and processes) is an important factor to consider when assessing the overall environmental impact of these activities. Accordingly, a pragmatic approach to shale gas and shale oil would then be to distinguish among the best companies and the worse companies, within that sector. In general, it is a fact that poor management of unconventional oil and gas operations can result in a significant environmental impact and it is the duty of responsible investors to divest from these irresponsible players. Engagement and dialogue with companies can help estimating these operational risks, distinguishing the best players from the laggards, and can encourage companies' management to embrace the cleanest techniques and practices.

Yet, the fact remains that the extraction of shale gas, shale oil, and oil sands are energy-intensive activities, which are inherently directed at extracting fossil fuels. As such, shale gas, oil sands and shale oil are increasingly criticized for their direct and indirect contribution to greenhouse gases emissions and ultimately these activities are increasingly considered to be contravening international efforts to mitigate climate change. Overall, the extractions of shale gas, of shale oil, and of oil sands have a higher carbon footprint than conventional oil and gas. Therefore, those unconventional fossil fuels are exposed to a higher carbon risk, as regulation becomes stricter notably within the framework of the mitigation of climate change. Consequently, the risk of stranded assets is increasingly significant.

With respect to Arctic drilling, the first reason why this activity is considered controversial is the likely negative impact on biodiversity in case of oil spills. The Arctic environment is harsh on equipment, and the difficult weather conditions increase the risk of oil spills. Once an oil spill occurs, the difficult environment and the presence of ice makes it much more difficult from a technical point of view, as well as much more costly, to recover the oil and mitigate the pollution. Moreover, in case the pollution cannot be contained, the hostile Arctic conditions make it much harder to clean-up the shores and depollute the ice cap, which worsens the adverse effects of the pollution on the local wildlife. Besides, because of the extreme weather and the short season, all exploration and extraction operations are particularly expensive. Moreover, the exploitation of energy resources in the Arctic regions may simply be incompatible with a + +1.5-degree scenarios. Consequently, oil and gas assets in the Arctic might also exposed to a higher risk of becoming stranded.

In light of the above, DPAM has decided that all issuers involved in the exploration or extraction of unconventional oil and gas or providing dedicated equipment or services (i.e., shale gas, shale oil, oil sands and Arctic drilling) are excluded from all actively managed Sustainable strategies **unless they meet the criteria in the table below**[18].

[18] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : "Use of Proceed Bonds" of this policy, for a detailed explanation.

DPAM EXCLUSION ON UNCONVENTIONAL OIL & GAS: SHALE GAS, OIL SANDS, SHALE OIL AND ARCTIC DRILLING	EXCLUSION THRESHOLDS

For actively managed sustainable strategies
 	
(↔corresponding to SFDR Art9 and art8plus products)
	All issuers involved in the exploration or extraction of unconventional oil and gas or providing dedicated equipment or services[19]:
	▪ For a given issuer, in case of an increase in its absolute production of, or in its production capacity for unconventional oil and gas-related products/services, the issuer is excluded→ exclusion
	▪ In case the issuer's absolute production of unconventional oil & gas is not increasing, and its production capacity of unconventional oil & gas is not increasing, the issuer shall meet at least one of the following criteria to remain eligible:
	    ▪ Have a Science Based Target initiative (SBTi) target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment;
	    ▪ Derive less than 5% of its revenues from unconventional oil and gas-related activities;
	    ▪ Have more than 50% of Capex dedicated to contributing activities.
	▪ Issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable.

For index sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	All issuers: ▪ Deriving any revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane → exclusion

[19] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : "Use of Proceed Bonds" of this policy, for a detailed explanation.

12. CONVENTIONAL OIL AND GAS

Conventional oil and gas exploration, extraction, refining, and transport are controversial activities due to their negative contribution to climate-change, while at the same time gas sometimes has been presented as a complement to renewables for future electricity generation mix. The oil and gas sector is also still used extensively as raw material input in a large variety of industrial processes.

Nonetheless, in the light of its negative contribution to climate-change, DPAM has decided not to be exposed to conventional oil and gas extraction in its sustainable conviction equity strategies[20].

With regards to "hard exclusion criteria" applying to its sustainable conviction equity strategies [21], its sustainable multi-asset strategies [22] and its sustainable corporate bonds strategies [23], DPAM has decided to exclude all issuers involved in the exploration, extraction, refining and transport of oil and gas, or providing dedicated equipment or services **except if they meet at least one of the criteria in the table below**[24].

In addition, to ensure conventional oil and gas suppliers are on the right transition path, DPAM's portfolio managers, analysts and the RICC monitor the transition progress of these issuers based on the assessment of their business models and strategies. The assessment makes use of indicators such as adequate climate change management, green versus brown revenue split, and the implementation of science-based emissions reduction targets.

Besides active monitoring of these companies, DPAM values the role of constructive engagement. Via collaborative engagement (i.e., Climate Action 100+) and direct engagement with our investee companies, external analysts and data providers, we track the progress of our investee companies towards the required energy transition targets. Conventional oil and gas extraction companies which are not aligned with the 2°C scenario (and eventually with the 1.5°C scenario) will be subject to thorough ESG analysis possibly supplemented with, direct engagement towards companies' management.

Finally, concerning the **sustainability country model**, DPAM again favours a pragmatic approach, with a view to identify the countries which are on energy-transition paths, and to divest from the countries which are not positioning themselves to achieve the energy-transition. To do so, DPAM focuses on the speed and scale of renewable energies deployment, as well as on the plans and actual achievements regarding the phasing out of coal, among other indicators.

This document also includes a section on power generation, which also covers investment in issuers involved in power-generation from oil and gas. This section can be consulted **here**.

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[20] The list of DPAM sustainable conviction equity strategies can be provided on demand.
[21] The list of DPAM sustainable conviction equity strategies can be provided on demand.
[22] The list of the concerned strategies can be provided on demand.
[23] The list of the concerned strategies can be provided on demand.
[24] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : "Use of Proceed Bonds" of this policy, for a detailed explanation.

DPAM EXCLUSION ON CONVENTIONAL OIL & GAS	EXCLUSION THRESHOLDS
For actively managed sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	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[25]: ▪ Have a Science Based Target initiative (SBTi) target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment; ▪ Derive less than 5% of its revenues from oil and gas-related activities; ▪ Have less than 15% of Capex dedicated to oil and gas-related activities and not with the objective of increasing revenue; ▪ Have more than 15% of Capex dedicated to contributing activities. ▪ Issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable. ▪ Exceptions: See section 'Exceptions in the energy and utilities sectors'
For index sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	Issuers involved in Fossil Fuel Reserves Ownership: ▪ All companies with evidence of owning proven & probable coal reserves and/or proven oil and natural gas reserves used for energy purposes (as defined by the methodology of the MSCI Global Ex Fossil Fuels Indexes) → exclusion

[25] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : "Use of Proceed Bonds" of this policy, for a detailed explanation.

13. ELECTRICITY GENERATION FROM FOSSIL FUELS & NON-RENEWABLE ENERGY SOURCES

As stated above, DPAM fully welcomes and supports the energy transition and calls for the effective mitigation of climate change. To achieve the ambitious target of limiting global warming to +1.5°C above pre-industrial levels, drastic changes are required, in particular concerning the utilities sector. These changes include amongst others the shift of the electricity generation mix towards renewables, the upgrading of the transport and distribution grids, the development of storage solutions to alleviate the intermittent and fluctuating energy supply from renewables, and an overall increased diversification of energy sources, away from fossil fuels. Hence, electric utility companies must align their business models and strategies with this climate-friendly model.

In order to allow companies making the required transition, in line with the Paris Agreement, DPAM prefers not to adopt a binary “hard-exclusion approach” on the whole power-utilities sector, which would mechanically exclude most companies involved in power production. Rather, DPAM favours the option of assessing whether the transition path of the investee companies aligns with the 1.5°C scenario. To do so, we are using a set of relevant key performance indicators such as: proven emissions reductions, adequate climate change management practices and the implementation of science-based targets.

In its sustainable conviction equity strategies [26], its sustainable multi-asset strategies [27] and its sustainable corporate bonds strategies [28], DPAM has decided to exclude all issuers involved in the generation of power/heat from non-renewable energy sources, or providing dedicated equipment or services if the average **carbon intensity** of their electricity generation is not clearly in line with (i.e. “well below”) the 2°C scenario thresholds (and preferably with a 1.5°C scenario) [29]. These thresholds, which become stricter every year, are based on the scenario of the International Energy Agency (IEA) as outlined in its 2017 Energy Technology Perspectives report. Figures are offset by 1 year to account for data availability:

	2019	2020	2021	2022	2023	2024	2025
Max. gCO_2/kWh	429	408	393	374	354	335	315

* Source: International Energy Agency (2017). *Energy Technology Perspectives 2017*. Paris: OECD/IEA.

DPAM also requires that these issuers’ absolute production of, or capacity for coal-based or nuclear-based energy-related products/services, shall not be structurally increasing.

DPAM clearly favours screening power utility companies based on their maximum carbon emission intensity. Yet, in case carbon emission intensity data are not available, DPAM requires that the issuer **meets at least one of the following criteria**:

- Have a Science Based Target initiative (SBTi) target set at well-below 2°C or 1.5°C, or have a SBTi ‘Business Ambition for 1.5°C’ commitment;
- Derive more than 50% of its revenues from contributing activities;
- Have more than 50% of Capex dedicated to contributing activities.

[26] The list of the concerned strategies can be provided on demand.
[27] The list of the concerned strategies can be provided on demand.
[28] The list of the concerned strategies can be provided on demand.
[29] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : “Use of Proceed Bonds” of this policy, for a detailed explanation.

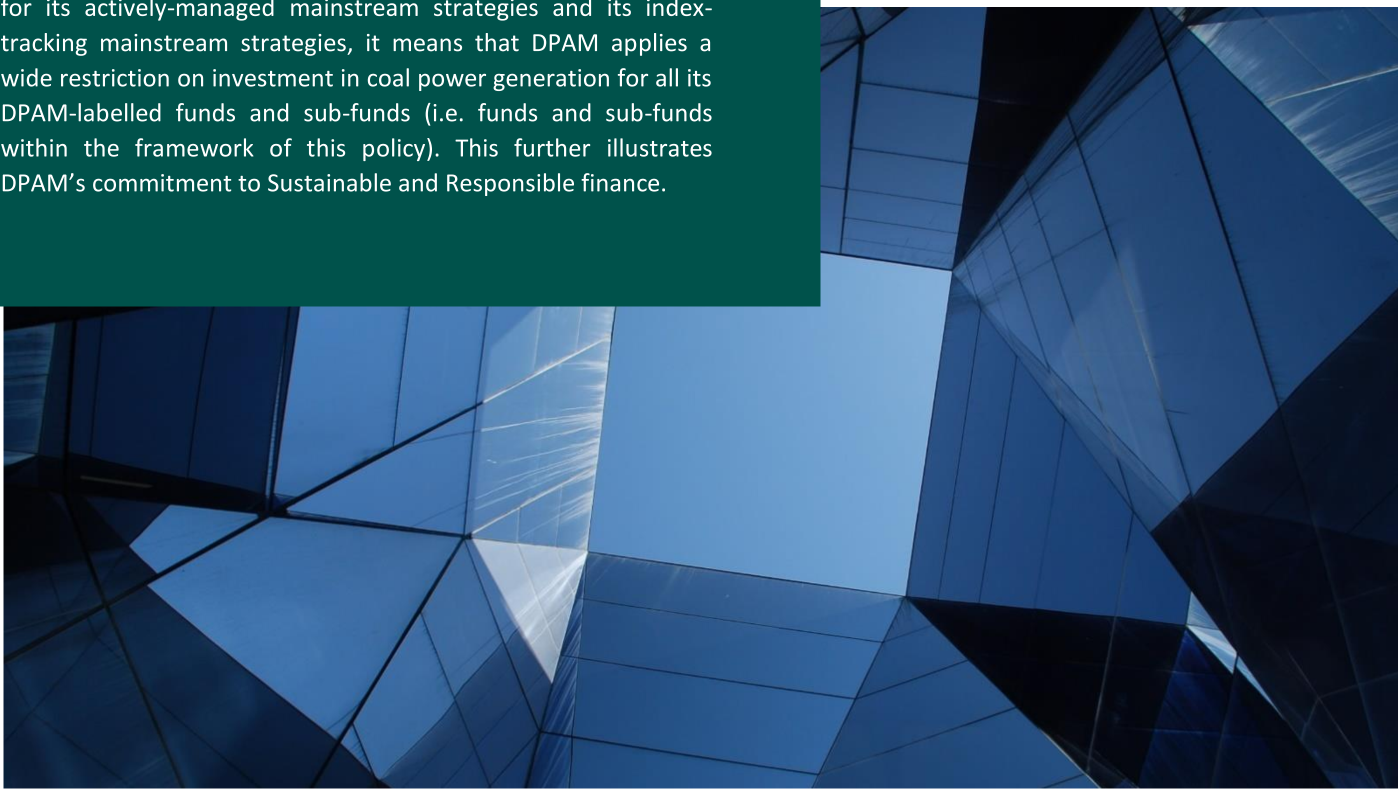
Nonetheless, DPAM favours a pragmatic approach towards these thresholds as it aims to keep the right balance between the need for electricity and the necessity to reduce CO_2 emissions. Since exceptional weather conditions can influence renewable energy production figures, in such exceptional cases, DPAM believes it may not make sense excluding issuers solely based on one-year carbon intensity data. For example, during intensive periods of drought, a utilities company's hydropower production can be impacted significantly, requiring an increase in gas-fired power production to meet energy demands. In such cases, DPAM believes it is not pragmatic to hold on to the pre-defined one-year snapshot of the carbon intensity threshold. Rather, we prefer to assess exceptional cases via the use of additional indicators such as a company's business strategy alignment with the Paris Agreement (e.g., based on installed renewable capacity figures or CAPEX in renewables), its carbon intensity track record and the quality of its climate change management.

Besides active monitoring of electric utility companies, DPAM values the role of constructive engagement. Via collaborative engagement (i.e., Climate Action 100+) and direct engagement with our investee companies, external analysts, and data providers, we track progress of our investee companies towards the required energy transition targets.

Regarding DPAM's sustainable index-tracking strategies, all issuers deriving 5% or more of their revenues from thermal coal-based power generation are excluded (in line with MSCI SRI Index methodology).

Finally, taking into account that fossil fuels are still largely used in several countries, and given the specific challenges these countries are facing when implementing the energy transition, the **sustainability country model** focuses on the speed and scale of deployment of renewable energies as well as on the phasing out of coal.

Since DPAM is also applying restrictions on coal power generation for its actively-managed mainstream strategies and its index-tracking mainstream strategies, it means that DPAM applies a wide restriction on investment in coal power generation for all its DPAM-labelled funds and sub-funds (i.e. funds and sub-funds within the framework of this policy). This further illustrates DPAM's commitment to Sustainable and Responsible finance.



DPAM EXCLUSION ON ELECTRICITY GENERATION FROM FOSSIL FUELS & NON-RENEWABLE ENERGY SOURCES	EXCLUSION THRESHOLDS

For actively managed sustainable strategies
 	
(↔corresponding to SFDR Art9 and art8plus products)
	Issuers involved in the generation of power/heat from non-renewable energy sources, or providing dedicated equipment or services[30]:
	▪ For a given issuer, in case of either a structural increase in the absolute production of coal-based or nuclear-based energy-related products/services, or of a structural increase in the production capacity of coal-based or nuclear-based energy-related products/services, the issuer is excluded → exclusion;
	▪ In case the issuer is not excluded because of a structural increase in its absolute production of, or production capacity of, coal-based or nuclear-based energy-related products/services, it must meet the two criteria below to be eligible:
	  ▪ The issuer's absolute production of or capacity for contributing products/services shall be increasing;
	  ▪ The issuer shall meet at least one of the following criteria:
	    ▪ Have a Science Based Target initiative (SBTi) target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment;
	    ▪ Derive more than 50% of its revenues from contributing activities;
	    ▪ Have more than 50% of Capex dedicated to contributing activities.
	
	Electricity utilities with a carbon intensity lower than the annual thresholds presented in the text above and that are not structurally increasing coal- or nuclear-based power generation capacity, are eligible (grandfathering).
	
	Issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable.
	
	▪ Exceptions: See section 'Exceptions in the energy and utilities sectors'

[30] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : "Use of Proceed Bonds" of this policy, for a detailed explanation.

For index sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	All issuers: ▪ Revenue exposure from thermal coal-based power generation ≥ **5%** → exclusion

14. EXCEPTIONS TO THE EXCLUSION RULE ON CONVENTIONAL OIL AND GAS AND ON ELECTRICITY GENERATION: PRAGMATIC, BUT LIMITED

As mentioned above, in some specific instances, DPAM believes it is preferable to adopt a pragmatic view, and to favour in-depth analysis rather than hard exclusions. The reasoning here is that, in some cases, a smart and agile sustainable investor may not only look at the negatives concerning an issuer but should also consider the positives. In other words, we could exceptionally invest in an issuer which has some positive exposure to a sustainability trend, besides being exposed to a controversial activity. DPAM puts a limit on the use of this exception in its sustainable portfolios. Hence, DPAM's Sustainable strategies are allowed to invest a maximum of 5% of their net asset value in aggregate in the following companies:

- companies failing the exclusion criteria on ELECTRICITY GENERATION FROM FOSSIL FUELS & NON-RENEWABLE ENERGY SOURCES;
- companies failing the exclusion criteria on CONVENTIONAL OIL & GAS.

This 5% margin will decrease by 1pp (percentage point) per year as of 1/1/2023.

Furthermore, issuers can only be eligible for this exception rule if they rank among the top 25% of their peer-group (i.e., a Best-In-Class criterion) based on climate-related indicators such as business strategy alignment with the Paris Agreement (e.g., based on CAPEX in renewables or the setting of a science-based emission reductions target), the quality of climate change management, proven emissions reductions, etc.

Moreover, issuers can only be eligible for this exception rule if they have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable.

DPAM does not apply the exception rule to electric utility companies constructing additional coal-power plants. Companies/issuers involved in the construction of new coal- power generation capacities are excluded from the investable universe of all Sustainable strategies [31].

DPAM will also monitor closely and engage directly with:

- Electric utility companies which are not aligned with the carbon intensity thresholds (defined above in this document)
- Conventional oil and gas extraction companies which derive 40% or less of their revenues from natural gas or renewable energy.

DPAM's portfolio managers, fundamental analysts and the RICC will monitor closely the progress of these issuers regarding energy-transition, by looking at climate-related indicators such as business strategy alignment with the Paris Agreement (e.g., based on CAPEX in renewables or the setting of a science-based emission reductions target), the quality of climate change management, proven emissions reductions, etc.

[31] The divestment process applies the same rules as in the case of non-compliances with the sustainability investment process, meaning a divestment period of one quarter is applied (following the quarter in which the breach was identified).

15. NUCLEAR ENERGY

The role of nuclear energy within the global energy supply is a widely debated topic, both from an economic perspective as well as from an environmental and safety perspective. There is an on-going debate over the degree of sustainability (or of “unsustainability”) of nuclear energy. To what extent is nuclear energy compatible with sustainable development? Shall nuclear energy be considered a transition energy source? Do the benefits in terms of carbon intensity and security of supply outweigh the safety concerns and the waste issue? And importantly, do we really need nuclear energy in our future energy supply?

15.1 Nuclear energy is controversial, but still plays an important role in the global energy supply

Nuclear energy can be considered controversial mostly due to its safety concerns, its environmental impact (i.e., nuclear waste) and because of its significant economic cost (i.e., initial investment, cost of decommissioning[32], storage costs, and the potential costs in case of an accident). The safety aspects are probably the main opposing factor against the development of nuclear power. Incidents affecting nuclear power plants (“NPPs”) such as the Chernobyl and Fukushima Daiichi disasters can release large amounts of ionizing radiation causing a potentially catastrophic impact on populations’ health, over very large areas and for very long periods of time. Taking these risks into consideration, several governments took decisions to phase-out fully (e.g., Austria and Italy) or gradually (e.g., Germany, Switzerland) all nuclear reactors on their territory. Divestment from nuclear power also gained traction, and in 2018, nuclear power was the sixth most commonly excluded activity within the European Sustainable Investment industry[33]. Hence, utility companies with nuclear power assets are often excluded from sustainable investment portfolios. But at the same time, nuclear power can potentially help mitigating global warming and preserving the security of supply regardless of geopolitical issues. A variety of arguments can support this view:

1. From a pure climate change perspective, nuclear energy can be considered an interesting option as it is **one of the least carbon-intensive sources of electricity**. According to the International Energy Agency (IEA), the world’s approximately 450 existing nuclear power plants, providing 11% of the global energy supply, prevent the emission of about 1.3 to 2.6 billion tons of carbon dioxide, annually [34]. Decommissioning these plants could make it harder achieving climate goals. Hence, the Climate Bond Initiative categorizes nuclear power plants as ‘automatically compatible with a 2 C° decarbonization trajectory’.
2. According to the IEA’s 2015 Technology Roadmap, by 2050, 930 Gigawatts of gross nuclear capacity will be globally needed to **meet** the expected **energy needs** and to **achieve** the ambitious carbon emission **reduction targets** as agreed in the aftermath of COP21 and COP22 (assuming over 80% of generated electricity will need to be low carbon by 2050). This means that the current installed nuclear power generation capacity must more than double by 2050. Although the required share of nuclear energy in the future energy supply varies from one scenario to another, each of the most widely accepted scenarios includes a share of nuclear power (e.g., IEA SDS, IEA WEO 450, IEA New Policies, ETP 2DS, Deep Decarbonization Pathways Project, IRENA REmap)[35].

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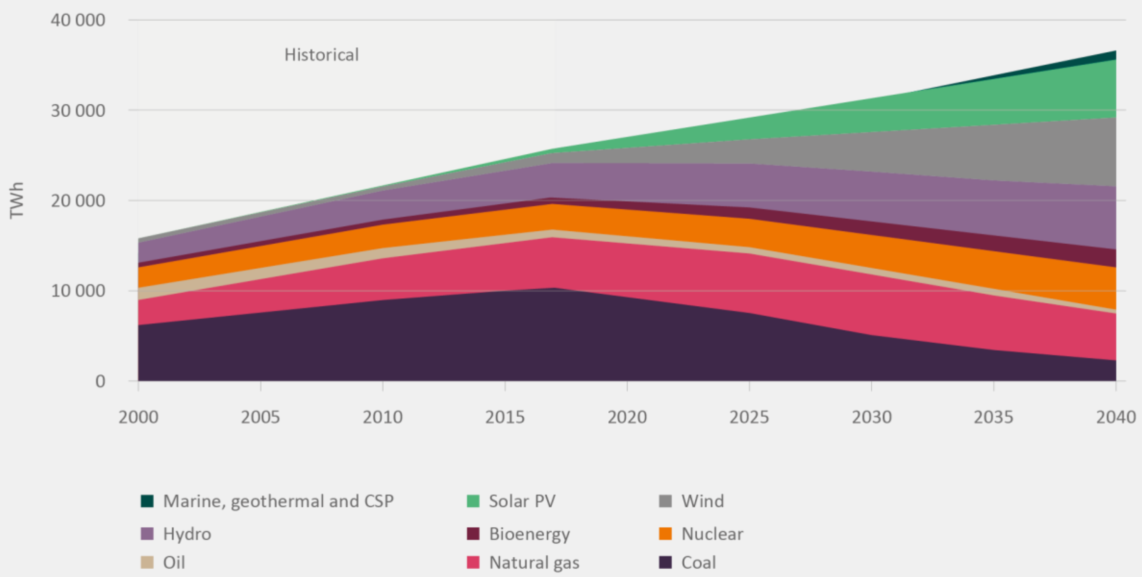
[32] Decommissioning of a nuclear power plant is the dismantlement to the point that it no longer requires measures for radiation protection.

[33] Eurosif European SRI study 2018: http://www.eurosif.org/wp-content/uploads/2018/11/European-SRI-2018-Study-LR.pdf

[34] The annually prevented emissions are estimated assuming the replacement of gas- or coal-powered plants, respectively.

[35] WEO : World Energy Outlook;
ETP 2DS : Energy Technology Perspectives 2 degrees scenario;
IRENA Remap: International Renewable Energy Agency Renewable Energy Roadmap.

IEA Sustainable Development Scenario (SDS) - World electricity generation by technology



Source: International Energy Agency, 2018

3. Nuclear power is an **economically rational option** for governments to play in the perspective of the energy transition. In a study by the MIT Energy Initiative, the authors stated that the cost of achieving deep decarbonization targets increases significantly when nuclear energy is excluded from the global energy supply mix. This puts into perspective the significant initial investments that were required to build NPPs [36].

4. Nuclear energy provides a **reliable, stable** base load of energy, which is required for the stability of the electricity grid[37]. Renewables are intermittent, fluctuating energy suppliers (e.g., variation in wind speed and solar exposure) which generally cannot provide base load power supply on a constant basis (and even less the peaks in energy demand). In addition, current grid infrastructures are already encountering difficulties accommodating intermittent renewables. Furthermore, current energy storage solutions are not yet sufficient to tackle this supply issue. For these reasons, nuclear energy as a reliable source of base load energy supply still cannot be ruled out. Opponents to nuclear energy often suggest that gas-powered plants are an alternative since they can function as a backup source to smooth-out the intermittent power generation from renewables[38], and as gas power-plants ramp up more easily (i.e., function as flexible, quickly dispatchable power sources). However, as the nameplate (installed) renewable-power generation capacity is currently relatively low (e.g., 20-40% for wind energy [39]), backup power plants need to be able to provide up to 60-80% of the energy. This means the gas-powered plants would temporarily function as the main supplier of energy

[36] MIT Energy Initiative (2018). *The Future of Nuclear Energy in a Carbon-Constrained World: an interdisciplinary MIT Study* (report No. 9). Massachusetts: MIT Energy Initiative.

[37] "Electrical energy from the grid is produced and consumed simultaneously and there can be no mismatch if grid stability and frequency is to be maintained within strict tolerances" (Brook et al. (2014)). Otherwise, to allow a supply-demand balance, grid infrastructure needs to upgrade significantly in the short run.

[38] The use of nuclear energy as backup power for intermittent energy sources is (currently) economically not viable.

[39] The name-plate production capacity of 20-40% for wind energy was calculated over the course of a year for German wind energy by the Union for the Coordination of the Transmission of Electricity (UCTE). (Source: Brook et al. (2014). Why nuclear energy is sustainable and has to be part of the energy mix. *Sustainable Materials and Technologies*, *1-2*, 8-16).

and renewables only act as some sort of 'fuel-savers'. In addition, looking at the whole supply-chain of gas power-plants, methane leakages during gas transportation can contribute significantly to global warming, knowing that methane has global warming potential which is 28 times higher than the one of carbon dioxide. From a climate change perspective, the greenhouse gas emissions induced by a large-scale reliance on gas power-plants would simply be incompatible with the required target of limiting global warming to 1.5°C above pre-industrial levels. Hence, nuclear power remains an interesting energy source combining an **emission free** and **reliable (i.e., base load) character**, making it central in the envisioned energy transition (at least as a transitional technology to make the jump within the next 10 to 20 years awaiting technological innovation and increased renewable capacity). We believe **diversification** among energy sources is key to facilitate the transition and secure future low-carbon energy supply, by delivering sufficient base load and back-up, while integrating a high proportion of renewables and renewable energy storage solutions.

5. NPPs have a **limited spatial footprint**. Compared to a wind farms or solar photovoltaic power plants, nuclear power plants occupy significantly less space. Bearing in mind the challenges concerning land use for agricultural or ecological purposes, this argument favours nuclear over renewables. However, as stated above, diversification in the future energy supply mix is still key.
6. The most recent NPP deliver a higher level of safety and a higher efficiency, which helps reducing waste generation. yet, until recently, the prospects for new NPPs were limited as the **economics** of **renewables** had become **increasingly attractive**.

Although the International Renewable Energy Agency does not support nuclear energy programs, the reasoning behind it has nothing to do with the stable supply of energy, but it is rather due to the complexity of the technology, to the safety risks, and to the nuclear wastes issue. However, innovation is on the rise. Technological developments in nuclear energy create significant **opportunities** for our future energy supply. Innovation is growing rapidly with a goal to making NPPs cleaner, safer and more cost efficient. Amongst others, R&D projects are developing alternative waste disposal and recycling methods, inherently safer reactors designed around passive safety systems, reactors with reduced waste generation through pyro-processing, fast reactors that require less uranium and reactors with alternative cost models. On the long term, nuclear fusion should bypass the main downsides of nuclear fission: i.e., nuclear waste and the risk of a reactor meltdown. Hence, governmental policies that rule-out nuclear energy are likely to hamper developments in nuclear technology which might consecutively slow down the required decarbonisation of the power generation sector.

15.2 DPAM's point of view

We believe that nuclear power plays a **temporary role** in the electricity supply mix of utility companies with a view to (1) allow a rapid shift towards a low carbon energy supply and tackle global warming while meeting our existing and future energy needs and (2) awaiting technological development in the fields of renewables (i.e., energy storage and increased installed capacity to cover base load issues) and nuclear power (i.e., safer, cleaner nuclear energy and nuclear fusion).

Furthermore, we firmly believe that the share of existing, traditional nuclear plants, - which are the foundation of the controversial nature of nuclear energy -, will decrease over time due to a variety of reasons. Firstly, a large proportion of the existing nuclear reactors in Europe are reaching the end of their lifetime. Prolonging the operation of those plants would require extensive safety works and, in many cases, will not even be allowed by national regulators. Moreover, many of the key nuclear power countries are already decommissioning traditional nuclear power plants or have committed to do so due to financial or safety concerns. Secondly, renewables and cheap gas are heavily challenging the economics of nuclear power in many countries and without innovations, nuclear power could become unprofitable. Lastly, nuclear fusion can become a reality within the next decades, replacing nuclear fission.

Nonetheless, DPAM has decided not to be exposed to nuclear power generation in its **sustainable conviction equity strategies**[40][41] if the share of nuclear power in the total installed production capacity of the considered company exceeds a 10% threshold[42]. To ensure utility companies that are eligible for the sustainable conviction equity strategies are on the right transition path, DPAM's portfolio managers, analysts and RICC will assess and monitor closely the transition progress of companies with a nuclear power capacity exceeding a 5% threshold (of the total installed production capacity). Additionally, material ESG indicators like the average age of the nuclear fleet will be closely monitored in order to sufficiently mitigate additional risks and hence steer investment decisions. Compliance with national and international laws and conventions in their operating countries are naturally included in the monitored ESG investment criteria.

In the Sustainable benchmarked strategies, and particularly in corporate bonds and multi-asset strategies, as well as in some Equity strategies[43], based on the arguments as mentioned above, DPAM has decided not to exclude issuers that operate nuclear power plants or sell nuclear energy, nor to exclude those issuers that manufacture or sell specific components for the purposes of generating nuclear energy. Hence, through exposure to the utility sector, the portfolios can be exposed to nuclear power. To ensure utility companies are on the right transition path, DPAM's portfolio managers, analysts and RICC monitor the transition progress of these companies/issuers closely as well as several material ESG indicators associated with nuclear power plants (e.g., safety-related indicators such the average age of the nuclear fleet, safety policies and programs, safety track record, etc.).

Besides active monitoring of these companies/issuers, DPAM values the role of constructive engagement. By means of direct engagement with the investee companies, external analysts, and sector experts, we track progress of our investee companies towards the required energy transition targets and monitor material ESG risks associated with nuclear power plants.

Finally, concerning DPAM's Sustainable strategies invested in **sovereign debt**: considering that nuclear energy is still largely used in many countries, and given the challenges associated to the energy transition and to the phasing-out of nuclear energy, the sustainability country model will continue analysing countries' energy transition policy and performance based on the speed and on the scale of renewable energies deployment, as well as on the phasing out of coal.

For DPAM's Sustainable index-tracking strategies, all issuers deriving 15% or more aggregate revenue from nuclear power activities are excluded. Are also excluded all issuers which are either generating 5% or more of their total electricity from nuclear power in a given year, or which have 5% or more of installed capacity attributed to nuclear sources in a given year (in line with MSCI SRI index methodology).

This document also includes a section on power generation, which also covers investment in issuers involved in Nuclear-Power generation. This section can be consulted **here**.

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[40] The list of the concerned strategies can be provided on demand.
[41] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : "Use of Proceed Bonds" of this policy, for a detailed explanation.
[42] Note: for companies with a diversified business mix (i.e., power generation and other products and/or services), the share of power generation in the total EBITDA will be considered when assessing the eligibility of the company versus the 10% nuclear capacity threshold.
[43] The list of the concerned strategies can be provided on demand.

DPAM EXCLUSION ON NUCLEAR ENERGY	EXCLUSION THRESHOLDS
For actively managed sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	Sustainable conviction equity strategies: ▪ Nuclear power capacity in total power capacity **> 10%** → exclusion[44] Other Sustainable strategies[45]: ▪ No exclusion, but monitoring
For index sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	All issuers: ▪ Revenue exposure from nuclear energy **≥ 15%** → exclusion ▪ Share of nuclear power in total electricity generation for the year **≥ 5%** → exclusion ▪ Share of nuclear power in total electricity generation capacity for the year **≥ 5%** → exclusion

[44] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : “Use of Proceed Bonds” of this policy, for a detailed explanation.
[45] List available on demand.

16. PALM OIL AND DEFORESTATION

16.1 Requirement on Palm oil

Palm oil production is associated with a variety of environmental, social and governance issues. These are, namely, deforestation and related topics such as respect for the ecosystem, biodiversity and the rights of local communities, greenhouse gas emissions, the use of pesticides, working conditions and respect for the rights of indigenous peoples.

However, palm oil constitutes an important source of revenue for producing countries (including Malaysia and Indonesia, but also other emerging countries) and provides a livelihood to a significant part of their population.

Moreover, palm oil also plays a role in feeding populations. Moreover, it has various other uses: food products, cleaning, pharmaceuticals, cosmetics, biodiesel, etc.

Finally, although palm oil is often criticised in the media, palm trees remain the most productive and efficient source of vegetable oil. In order to produce the same amount of vegetable oil, other potential sources would need far more land.

DPAM approach aims to be pragmatic. In other words, it takes into account both the benefits and the costs for societies of using Palm Oil. DPAM also favours best practices rather than a total exclusion of the activity in order to reduce its adverse effects. In that regard several sector-based initiatives exist, the main one being the "Roundtable for Sustainable Palm Oil – RSPO". The objective of the RSPO is to promote the production and use of palm oil that is sustainable for the planet and the people and communities, and that favours general welfare. The RSPO is the most important sector-based initiative promoting Sustainable Palm oil, and arguably it is also the only one having reached the critical size which is required to affectively change practices along the international Palm oil supply chains. Furthermore, the RSPO regularly upgrades its requirements, in order to better tackle deforestation issues. For these reasons, DPAM has adopted the criterion of RSPO Sustainable Palm oil certification, as a requirement for a producer of Palm oil to be eligible for DPAM actively managed Sustainable strategies.

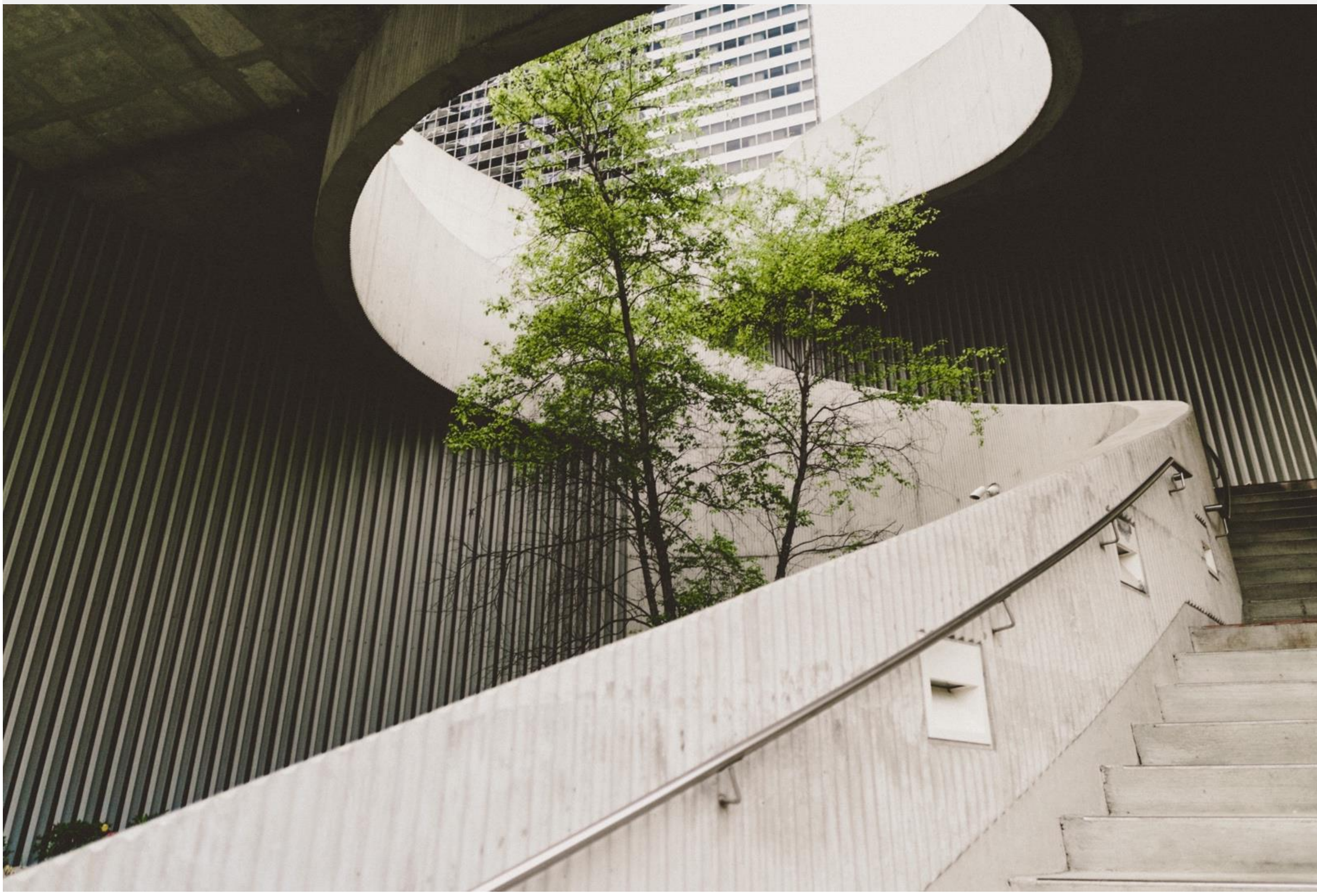
DPAM requires from producers of Palm oil that **at least 50% of their plantations be RSPO certified**, in order to be eligible for DPAM actively managed Sustainable strategies.

In case a company/issuer operating palm oil plantations (i.e., a Palm oil producer) uses an alternative Sustainable Palm-Oil certification scheme, other than the RSPO, DPAM will verify whether the alternative certification could be used instead of RSPO (i.e., whether its requirements are demanding enough and grossly comparable to RSPO's), and if it is the case, DPAM will apply the same threshold as for the RSPO certification.

16.2 Requirement on Deforestation:

Moreover, DPAM reserves the right to exclude from its actively-managed sustainable portfolios every company upstream or downstream in the Palm-Oil supply-chain (including Palm Oil producers, processors, distributors, traders, as well as owners of plantations and potentially food-processing companies sourcing from controversial companies) which is involved either in **severe cases of deforestation**, or in the **conversion of peat-land**, or in the **conversion of High Carbon Stock (HCS) forests**, or in the **conversion of High Conservation Value (HCV) forests**. When an alleged case of violation comes to DPAM's knowledge, it will be analysed and presented to DPAM Responsible Investment Steering Group (RISG), which will decide whether to exclude the company from DPAM Actively managed Sustainable strategies.

DPAM EXCLUSION ON PALM OIL PRODUCTION AND DEFORESTATION	EXCLUSION THRESHOLDS
For actively managed sustainable strategies *(↔corresponding to SFDR Art9 and art8plus products)*	**All producers of Palm oil** (i.e., Palm oil growers, issuers operating Palm oil plantations): ▪ Share of RSPO Sustainable palm oil certified plantations in total number of plantations < 50% → exclusion **All issuers upstream or downstream in the Palm-Oil supply-chain** (including Palm Oil producers, processors, distributors, traders, as well as owners of plantations and food-processing companies sourcing from controversial companies): ▪ In case of alleged involvement in severe cases of: deforestation, or conversion of peat-land, or conversion of High Carbon Stock (HCS) forests, or the conversion of High Conservation Value (HCV) forests; the RISG will review the alleged cases and reserves the right to exclude the issuer.



17. USE OF PROCEEDS BONDS

In line with DPAM's commitment to (1) promote environmental and social characteristics through a rigorous methodology to uphold fundamental rights, (2) not to fund controversial activities that could affect the long-term reputation of the investments, and (3) to promote best practices and best efforts on ESG issues, **DPAM does not allow its Sustainable strategies to invest in use-of-proceeds bonds issued by companies which either**:

- Do not comply with **globally recognized standards** (notably the *U.N. Global Compact*);
- Are involved in **major ESG controversies** (defined as level 5 ESG controversies by *Sustainalytics*, or excluded following RISG analysis and review);
- Are excluded following **Controversial Activities screening**.

One **exception** to this rule applies in the specific case of **issuers which are compliant with the three above-mentioned screening** (i.e., issuers which comply with globally recognized standards, are not involved in major ESG controversies, and are compliant with the Controversial Activities screening), but **which do not comply with one or several of the rules pertaining to**:

- The exploration, mining, extraction, distribution or refining of **thermal coal** or the fact of providing dedicated equipment or services;
- The exploration or extraction of **unconventional oil and gas** or providing dedicated equipment or services;
- The exploration, extraction, refining and transport of **oil and gas**, or providing dedicated equipment or services;
- the **generation of power/heat** from non-renewable energy sources, or providing dedicated equipment or services;
- the generation of **Nuclear power**.

In this specific case, **provided the use-of-proceeds 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**.

18. SOVEREIGN BONDS SPECIFIC EXCLUSIONS

18.1 Criteria for exclusion

Following countries are excluded from the investment universe of sovereign sustainable strategies classified as **SFDR Article 8+ and 9**:

- Developed markets universe:
  - Exclusion of countries that **both** do not respect a minimum of democracy according to the **Freedom House country** classification, i.e., countries classified as '**non-free',** AND do not respect a minimum of democracy according to the Democracy Index, published by the **Economist Intelligence Unit**, i.e., countries classified as '**authoritarian'**.
  - Exclusion of countries whose violation of international treaties is formally recognized by several international governance bodies and as such determined by the FISAB.
- Emerging markets universe:
  - Exclusion of countries that both do not respect a minimum of democracy according to the Freedom House country classification, i.e., countries classified as 'non-free', AND do not respect a minimum of democracy according to the Democracy Index, published by the Economist Intelligence Unit, i.e. countries classified as 'authoritarian'.

19. SUMMARY TABLE OF THE EXCLUSION APPLYING TO SUSTAINABLE STRATEGIES

EXCLUSIONS APPLYING TO SUSTAINABLE STRATEGIES: (↔corresponding to SFDR Art9 products and art8plus products)	EXCLUSION THRESHOLDS
Anti-personnel landmines (APL), cluster munitions (AM), and depleted uranium munitions and armours (DPU)	Exclusion from **actively managed sustainable strategies** and from **index sustainable strategies** of all issuers involved in anti-personnel landmines, cluster munitions, or depleted uranium munitions and armours-related activities or providing dedicated equipment or services: ▪ **Any direct revenue exposure** leads to exclusion
Biological and/or Chemical Weapons	Exclusion from **actively managed sustainable strategies** and from **index-tracking sustainable strategies** of issuers directly Involved in biological weapons-related activities or providing dedicated equipment or services or chemical weapons-related activities or providing dedicated equipment or services: ▪ **Any direct revenue exposure** leads to exclusion
White-Phosphorus Weapons	Exclusion from **actively managed sustainable strategies** of all issuers involved in White-Phosphorus weapons (WP)- related activities or providing dedicated equipment or services: ▪ **Any direct revenue exposure** leads to exclusion

Nuclear Weapons	Exclusion from **actively managed sustainable strategies** of: Issuers directly involved in Nuclear-Weapons-related activities or providing dedicated equipment or services: ▪ **Any direct revenue exposure** leads to exclusion Issuers indirectly involved in Nuclear-Weapons-related activities or providing dedicated equipment or services: ▪ Equity stake or credit stake ≥ 10% → exclusion Exclusion from **index sustainable strategies** of: Directly Involved issuers: ▪ Revenue exposure **≥ 5%** → exclusion ▪ All companies that manufacture **components** that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles) → exclusion ▪ All companies that manufacture or assemble **delivery platforms** that were developed or significantly modified for the exclusive delivery of nuclear weapons → exclusion ▪ All companies that provide **auxiliary services** related to nuclear weapons → exclusion ▪ All companies that manufacture **components** that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles) but can be used in nuclear weapons → exclusion ▪ All companies that manufacture or assemble **delivery platforms** that were not developed or not significantly modified for the exclusive delivery of nuclear weapons but have the capability to deliver nuclear weapons → exclusion ▪ All companies that manufacture **components for nuclear-exclusive delivery platform**s → exclusion Indirectly Involved issuers: ▪ Equity stake or credit stake **≥ 10%** → exclusion

EXCLUSIONS APPLYING TO SUSTAINABLE STRATEGIES: (↔corresponding to SFDR Art9 products and art8plus products)			
	Other armaments	EXCLUSION THRESHOLDS	Exclusion from **actively managed sustainable strategies** of **the Defence & aerospace sector**: ▪ Based on MSCI-GICS typology Exclusion from **actively managed sustainable strategies** of **Conventional Armaments**: ▪ All issuers involved in conventional weapons-related activities or providing dedicated equipment or services from a **5%** revenues exposure threshold → exclusion; ▪ Issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable. Exclusion from **actively managed sustainable strategies** of **Civilian firearms & ammunitions**: ▪ All issuers from a **5%** revenues exposure threshold → exclusion Exclusion from **index sustainable strategies** of all issuers involved in **blinding lasers, non-detectable fragments and incendiary weapons**: ▪ Any direct revenue exposure leads to exclusion Exclusion from **index sustainable strategies** of all issuers involved in **Conventional armaments**: ▪ Producers from a **5%** revenues exposure threshold → exclusion; ▪ Suppliers from a **15%** revenues exposure threshold → exclusion; Exclusion from **index sustainable strategies** of all issuers involved in **Civilian firearms & ammunitions**: ▪ Producers: any direct revenue exposure → exclusion; ▪ Distributors & retailers: From 5% revenues exposure threshold → exclusion.

EXCLUSIONS APPLYING TO SUSTAINABLE STRATEGIES: (↔*corresponding to SFDR Art9 products and art8plus products)*	EXCLUSION THRESHOLDS
Tobacco	Exclusion from **actively managed sustainable strategies** of: Producers, suppliers, distributors and retailers of tobacco, products that contain tobacco or the wholesale trading of these products: ▪ Revenue exposure ≥ **5%** → exclusion; ▪ Issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable. Exclusion from **index sustainable strategies** of: Producers: ▪ Any direct revenue exposure leads to exclusion Suppliers, distributors and retailers: ▪ Revenue exposure ≥ **5%** → exclusion
Gambling	Exclusion from **actively managed sustainable strategies** of all issuers: ▪ Revenue exposure ≥ **10%** → exclusion Exclusion from **index sustainable strategies** of all issuers: ▪ Direct revenue exposure from gambling-related activities ≥ **15%** → systematic exclusion ▪ Indirect revenue exposure from ownership of gambling-related businesses ≥ **5%** → systematic exclusion
Adult entertainment / Pornography	Exclusion from **actively managed sustainable strategies** of all issuers: ▪ Revenue exposure ≥ **10%** → exclusion Exclusion from **index sustainable strategies** of: Producers: ▪ Revenue exposure ≥ **5%** → exclusion Suppliers, distributors and retailers: ▪ Revenue exposure ≥ **15%** → exclusion

Alcohol	Exclusion from **actively managed sustainable strategies** of: Producers: ▪ Revenue exposure ≥ **10%** without a *Responsible Policy* (see above for detailed requirements) → exclusion Suppliers, distributors and retailers: ▪ no exclusion Exclusion from **index sustainable strategies** of: Producers: ▪ Revenue exposure ≥ **5%** → exclusion Suppliers, distributors and retailers: ▪ Revenue exposure ≥ **15%** → exclusion

<table>
<tr>
<td>EXCLUSIONS APPLYING TO SUSTAINABLE STRATEGIES: (↔corresponding to SFDR Art9 products and art8plus products)</td>
<td>Thermal Coal</td>
<td>EXCLUSION THRESHOLDS</td>
<td>
Exclusion from actively managed sustainable strategies of:
Issuers involved in the exploration, mining, extraction, distribution, transport or refining of thermal coal or providing dedicated equipment or services[46]:

(1) All issuers with a revenue exposure > 0% in the mining, exploration or extraction of thermal coal[47] → exclusion[48];
All issuers on the GICS 10102050 “Coal & Consumable Fuels” list→ exclusion[49];
(2) Alternatively to criterion (1) above, all issuers showing an increase in the absolute production of or capacity for thermal coal-related products/services are excluded unless they meet at least one of the following four criteria:

Have a Science Based Target initiative (SBTi) target set at well-below 2°C or 1.5°C, or have a SBTi ‘Business Ambition for 1.5°C’ commitment;
Derive less than 5% of its revenues from thermal coal-related activities;
Have less than 10% of Capex dedicated to thermal coal-related activities and not with the objective of increasing revenue;
Have more than 50% of Capex dedicated to contributing activities.

(3) On top of the criterion (1) or of the criterion (2) above, issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable.

Exclusion from index sustainable strategies of:
All issuers:

Deriving any revenue from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties → exclusion
Companies/issuers falling into the Bloomberg GICS10102050 category, corresponding to the sub-industry “Coal & Consumable Fuels” sector, are excluded → exclusion

</td>
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</table>

[46] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : “Use of Proceed Bonds” of this policy, for a detailed explanation.

[47] For companies involved in refining, distribution or transport, or providing dedicated equipment or services therefor, this is assessed on an ad-hoc, best effort basis due to current data limitations.

[48] Unless they meet the criteria (2) and (3) below.

[49] Unless they meet the criteria (2) and (3) below.

Unconventional oil & gas: Shale gas, Shale oil, Oil sands and Arctic drilling	Exclusion from **actively managed sustainable strategies** of:
	All issuers involved in the exploration or extraction of unconventional oil and gas or providing dedicated equipment or services[50]:
	▪ For a given issuer, in case of an increase in its absolute production of, or in its production capacity for unconventional oil and gas-related products/services, the issuer is excluded → exclusion
	▪ In case the issuer's absolute production of unconventional oil & gas is not increasing, and its production capacity of unconventional oil & gas is not increasing, the issuer shall meet at least one of the following criteria to remain eligible:
	  ▪ Have a Science Based Target initiative (SBTi) target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment;
	  ▪ Derive less than 5% of its revenues from unconventional oil and gas-related activities;
	  ▪ Have more than 50% of Capex dedicated to contributing activities.
	▪ Issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable.
	
	Exclusion from **index sustainable strategies** of:
	▪ Deriving any revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane → exclusion

[50] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : "Use of Proceed Bonds" of this policy, for a detailed explanation.

Conventional oil & gas	Exclusion from **actively managed sustainable strategies** of: 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[51]: ▪ Have a Science Based Target initiative (SBTi) target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment; ▪ Derive less than 5% of its revenues from oil and gas-related activities; ▪ Have less than 15% of Capex dedicated to oil and gas-related activities and not with the objective of increasing revenue; ▪ Have more than 15% of Capex dedicated to contributing activities. ▪ Issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable. ▪ Exceptions: See section 'Exceptions in the energy and utilities sectors. Exclusion from **index sustainable strategies** of: Issuers involved in Fossil Fuel Reserves Ownership: ▪ All companies with evidence of owning proven & probable coal reserves and/or proven oil and natural gas reserves used for energy purposes (as defined by the methodology of the MSCI Global Ex Fossil Fuels Indexes) → exclusion

[51] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : "Use of Proceed Bonds" of this policy, for a detailed explanation.

EXCLUSIONS APPLYING TO SUSTAINABLE STRATEGIES: *(↔corresponding to SFDR Art9 products and art8plus products)*

Electricity generation from fossil-fuels & non-renewable energy sources

EXCLUSION THRESHOLDS

Exclusion from **actively managed sustainable strategies** of:

Issuers involved in the generation of power/heat from non-renewable energy sources, or providing dedicated equipment or services[52]:

- For a given issuer, in case of either a structural increase in the **absolute production** of coal-based or nuclear-based energy-related products/services, or of a structural increase in the **production capacity** of coal-based or nuclear-based energy-related products/services, the issuer is excluded→ exclusion;
- In case the issuer is not excluded because of a structural increase in its absolute production of, or production capacity of, coal-based or nuclear-based energy-related products/services, it must meet the two criteria below to be eligible:
  - The issuer's absolute production of or capacity for contributing products/services shall be increasing;
  - The issuer shall meet at least one of the following criteria:
    - Have a Science Based Target initiative (SBTi) target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment;
    - Derive more than 50% of its revenues from contributing activities;
    - Have more than 50% of Capex dedicated to contributing activities.

Electricity utilities with a carbon intensity lower than the annual thresholds presented in the text above and that are not structurally increasing coal- or nuclear-based power generation capacity, are eligible (grandfathering).

Issuers shall have a strategy to reduce the adverse impact of their activities and to increase their contributing activities, if applicable.

- Exceptions: See section 'Exceptions in the energy and utilities sectors'

Exclusion from **index sustainable strategies** of:

All issuers:

- Revenue exposure from thermal coal-based power generation
  ≥ 5% → exclusion

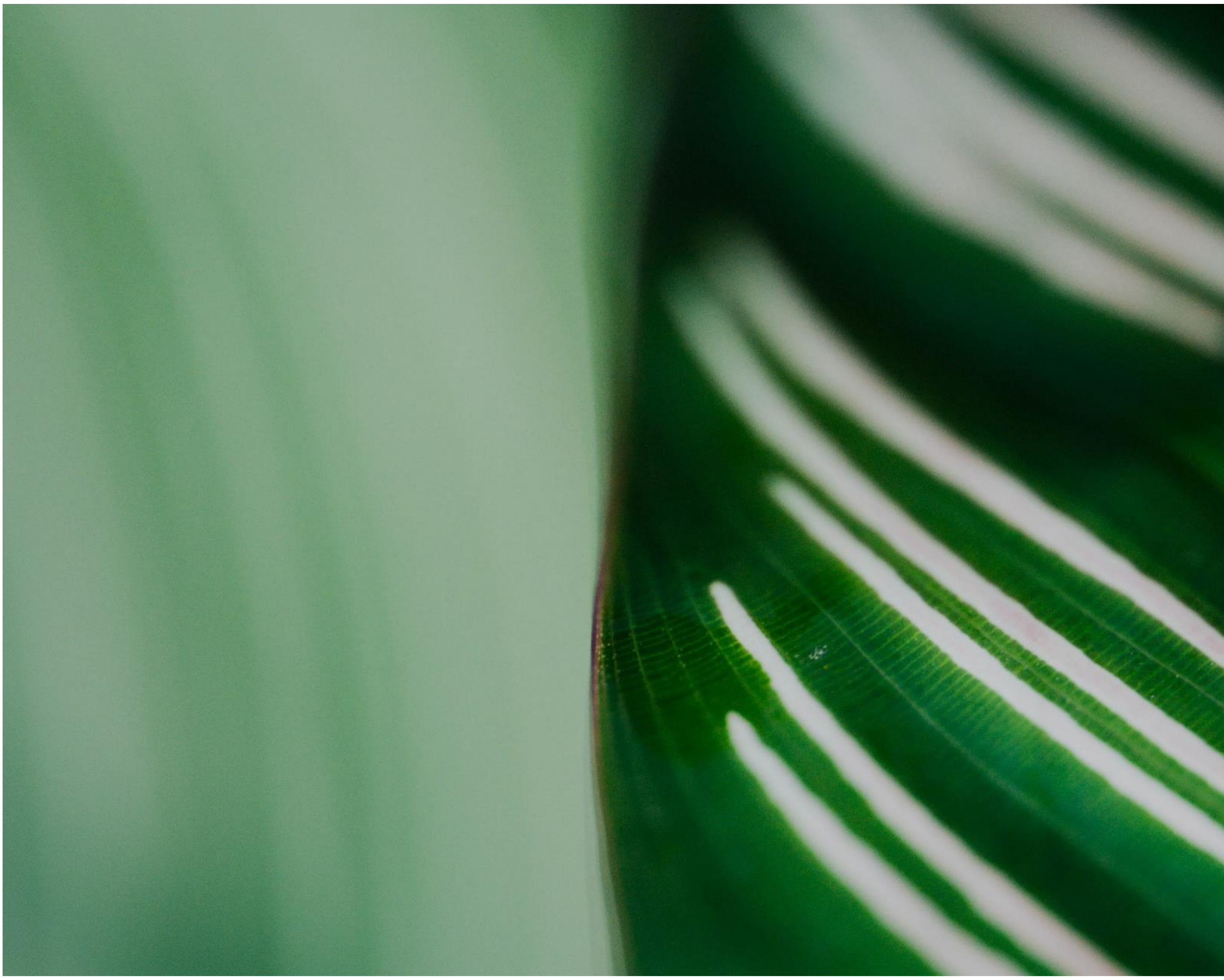
[52] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : "Use of Proceed Bonds" of this policy, for a detailed explanation.

Nuclear Energy	Exclusion from **Sustainable conviction equity strategies**[53] of: All issuers[54]: ▪ Nuclear power capacity in total power capacity **> 10%** → exclusion Exclusion from other Sustainable strategies: All issuers: ▪ No exclusion, but monitoring Exclusion from **index sustainable strategies** of: All issuers: ▪ **Revenue** exposure from Nuclear Energy **≥ 15%** → exclusion ▪ Share of Nuclear Power in total electricity **generation** for the year **≥ 5%** → exclusion ▪ Share of Nuclear Power in total electricity generation **CAPACITY** for the year **≥ 5%** → exclusion
Palm oil production and Deforestation	Exclusion from **actively managed sustainable strategies** of: All producers of Palm oil (i.e. Palm oil growers, issuers operating Palm oil plantations): ▪ Share of RSPO Sustainable palm oil certified plantations in total number of plantations **< 50%** → exclusion All companies/issuers upstream or downstream in the Palm-Oil supply-chain (including Palm Oil producers, processors, distributors, traders, as well as owners of plantations and food-processing companies sourcing from controversial companies): ▪ In case of alleged or proven involvement in severe cases of: deforestation, or conversion of peat-land, or conversion of High Carbon Stock (HCS) forests, or the conversion of High Conservation Value (HCV) forests; the RISG will review the alleged cases and reserves the right to exclude the issuer.

[53] List available on demand.

[54] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : “Use of Proceed Bonds” of this policy, for a detailed explanation.

Democratic requirements	Exclusion **from actively managed sustainable strategies** of: All issuers ▪ Both rules: Non free according to Freedom House and Authoritarian regimes from Democracy index ▪ Additional criteria for developed markets: Exclusion of countries whose violation of international treaties is formally recognized by several international governance bodies and as such by the FISAB



IX. **OTHER CONTROVERSIAL ACTIVITIES** AND SUSTAINABILITY ISSUES

DPAM considers it is part of its fiduciary duty, to monitor and analyse several contentious sectors and business activities, as well as several controversial corporate practices. Therefore, the centre of expertise of DPAM in the domain of sustainable finance (the RICC) continuously monitors developments in the area of sustainable finance, and regularly updates the position of DPAM on these contentious topics. In this section, we outline the position of DPAM on several sectors and sustainability topic. At this stage, DPAM generally does not apply any hard exclusion on these activities and topic for its actively managed strategies. Yet, the RICC closely monitors them.

1. GMOS / BIOTECHNOLOGIES

For our sustainable investment strategies, the ethical issues surrounding genetic engineering are also considered. The complexity of the so-called biotechnologies, coupled with the potentially large environmental and healthcare risks, make it difficult to appropriately assess the risks associated with genetic manipulations. This led to public anxiety and suspicion over the subject. The distrust of the public, which is probably stronger in Europe compared to the United States, is also due to the environmental risks posed by monocultures, as well as by the threats to biodiversity.

However, in the light of the potential impact on food safety and the right to food (accessibility, availability, and suitability), biotechnologies are worth investigating and GMO crops may have a role to play. Reportedly, some of the latest biotechnologies could offer enhancements which reduce their impact on biodiversity. Moreover, given the lack of conclusive evidence on human health risks, it is hard to clearly determine whether biotech will benefit human health and environmental protection, or whether, conversely, biotech will result in further environmental destructions and have an adverse impact on human health. It might not be possible to conclude on a “one answer fits all biotech” approach, at least for now. Therefore, it is DPAM’s view that we should not exclude all biotech at this stage, but rather apply a case-by-case analysis of their risks and benefits.

In order to shed some light on this debate, we invited a professor of bioengineering and bio-economics from the KU Leuven University to our Responsible Investment corner. He explained to us the scientific and ethical arguments of genetic engineering. He highlighted the potential scientific advantages of using biotechnologies in agriculture. However, he also warned about the impact of these technologies when used improperly, and he questioned the commercial practices of some players (notably towards farmers).

As the French “*Association Ethique et Investissement*” concluded during its seminar on the ethical requirements of investing in agro-industry, this is a global and important issue as agronomic and industrial innovation is a key factor in feeding a growing world population. Given these demographic and environmental challenges, it is important to ensure a sustainable and high-yielding agricultural production. In order to match these challenges, it will be necessary to foster cooperation between the various stakeholders (producers, processors, distributors and consumers). Therefore, responsible investors must review the commercial and product marketing practices of the issuers they are considering investing into. The key factors to analyse are the type of GMOs, the precautionary measures taken, the transparency on the technologies used, and the labelling and traceability of the products.

In line with these guidelines, DPAM chooses to analyse the issuers involved on a case-by-case basis, instead of excluding or divesting all biotechnologies from its actively managed sustainable strategies. Our analytical grids take into account companies' policy with regard to the use of GMOs in the food and beverage sector. The quality of the policy applied is analysed from four angles:

- Acknowledgement of the existence of a debate and discussions about the negative environmental and health effects of GMOs in food ingredients.
- The explanation provided regarding the added value generated by using GMOs.
- Risk control for the use of GMOs in products and services.
- Respecting consumer rights in the framework of the transparent labelling of products containing GMOs.

Moreover, in our analysis of the chemicals, pharmaceutical, cosmetics and household goods sectors, the policy regarding genetic engineering is also taken into consideration. We analyse corporate policies based on the use of genetic engineering, the associated risks, and the systems that are in place to prevent and manage these risks. Policies and efforts relating to nanotechnologies are also taken into consideration.

The sustainable and responsible screening also takes into account any controversies in which an issuer has been embroiled over the recent years. These are analysed based on their frequency and gravity as well as on the way the issuer addressed them.

Based on these analysis criteria, any issuer from the eligible universes may be excluded of all actively managed responsible investment strategies (see the engagement program).

For DPAM's sustainable index strategies, all issuers deriving at least 5% of their revenues from GMOs-related activities (either for agricultural use or for human consumption) are excluded (in line with MSCI SRI Index methodology).

2. PAPER PULP

Paper pulp presents various environmental and social risks, both in terms of the raw material itself and as regards processing.

The main environmental challenges involve deforestation and, directly relating to this, pollution, the protection of biodiversity, and the contribution to climate change. Processing paper pulp triggers the emission of dioxins. It generates water pollution and requires accurate wastewater treatment.

On a social level, logging activities may present a risk to local communities. In some emerging countries, conflicts over the access to forested area may result in human rights violations. Moreover, the processing of paper pulp may have an adverse impact on workers' safety (occupational safety challenges).

As the use of paper is not likely to disappear any time soon, despite the digitization of the economy, we favour a pragmatic approach fostering the adoption of corporate best practices and standards.

Several norms, certifications and sector-based initiatives already exist. For instance, the NGO Forest Stewardship Council (FSC) promotes the responsible management of forests across the globe. The Pan European Forest Council certification also mentions several criteria to be adopted for sustainable forest management.

In practice, rather than applying a hard exclusion, DPAM chose to integrate ESG criteria in the analysis of the sector by fundamental analysts. The selected ESG criteria notably include the certification of forests, the carbon intensity of operations, and the percentage of raw materials which have received FSC certification. On the social level, our ESG matrix focuses on criteria such as respect for human rights and the exposure to controversies linked to local communities. Finally, workers' health and safety also have an important weighting in the overall ESG score of pulp and paper companies/issuers.

3. INVESTING IN AGRICULTURAL FOOD COMMODITIES

Given the sharp rise in primary foodstuffs prices, many NGOs have pointed at investment funds trading in agricultural commodities. Following various reports denouncing food speculation and the dramatic impact on poorer populations, various investment companies have decided to close down their investment funds, which tend to be index-based and invested in derivatives on agricultural commodities.

Although DPAM does not invest in any such derivatives markets, it does take into account this issue and acknowledges its social and environmental responsibilities. Notably, we believe that speculative funds could have a negative influence on the volatility of food commodities and that they could exacerbate related price hikes. Alongside this, demographics and changing eating habits are also key factors explaining rising prices. Certain emerging markets find themselves in a risky situation, as their resources in terms of arable land and drinking water supplies are insufficient to cover the needs of their growing population. thus, the sustainability challenges relating to agricultural commodities are significant. As a sustainable and responsible investor, DPAM aims to invest in companies/issuers providing solutions to these problems.

Forward contracts or futures were originally used to protect food producers from the risks relating to price swings, which are typical of agricultural commodities. These days, such derivatives can be used for other purposes and thereby have an adverse impact, leading to increased volatility and rising prices. Two major risks are associated with speculation on food: on the one hand, rising prices occur to the detriment of poorer populations who struggle feeding themselves, while on the other hand profit maximisation leads to land grabs.

DPAM ensures that it does not participate in this speculation on food. DPAM strategies do not invest in derivatives on agricultural commodities.

Moreover, within the framework of our ESG/sustainable research, we are implementing sustainable stock-picking criteria relating to the sustainability of agriculture and fish farming in the food and beverage sector. We also closely monitor companies' programmes and targets with respect to sustainable agriculture and fishing.

At last, our strategy dedicated to the agricultural theme is actively managed and focuses exclusively on companies/issuers that are active in the sector. No investments are made in forward contracts. The companies/issuers invested in, primarily have a business-to-business activity aimed at enhancing the efficiency of food production in order to address future demographic challenges.

Three main drivers will continue to influence prices of agricultural commodities going forward:

1. Demographics
2. The major shift in eating habits, leading to more protein-rich diets
3. Increased knowledge of the effects of carbon dioxide emissions, leading to increased demand for renewable energy and alternatives, including in the chemicals sector

When emerging markets start shifting towards industrial cattle breeding, there is a significant impact on the agro-food chain as there is a move from cattle feed made of household waste towards flour and other cereal products. Demand for wheat and other cereals leads to increased imports of these products. In order to address these challenges, investments in technological innovations that continually boost productivity are needed.

Moreover, consumers are paying more attention to the presence in their food of artificial ingredients (preservatives and other additives). The demand for natural and healthy substitution products also raises food issues which may increase in the future. This demonstrates that investments in the agricultural sector are not incompatible with sustainability principles and with social and environmental responsibility.

4. DEATH PENALTY

In the context of its investments in responsible government bonds, the application of death penalty is used as a criterion in the scoring model of countries. Thus, those states whose legislation doesn't effectively prohibit the death penalty are penalized. In effect, DPAM requires that the death penalty be effectively banned by the country's law, and not just that it is no longer applied. For instance, Israel is penalized as it did not formally abolish capital punishment, and even though it did not seek any death sentence since 1988. Two countries which are still effectiverly applying the death penalty are Japan and the USA. Japan has not abolished the practice of the death penalty from its constitution, and it still carries out several executions every year. The USA also continues to carry out the death penalty in certain states. Consequently, both countries are penalised in our country scoring model. DPAM will still penalise a country which does not apply the death penalty in practice if it has not legally banned it (e.g., Israel).

5. INTERNATIONAL SANCTIONS

As an historical pioneer in sustainable sovereign debt investing (first strategy launched in 2008), DPAM has developed a long-term expertise in analysing and screening countries' sustainability profiles. It is DPAM's view that a Sustainable strategy should not be invested in a country which violates essential principles such as Human Rights, or which is subjected to international sanctions. This is illustrated by DPAM's threefold commitment to:

1. defend fundamental rights,
2. ensure we are not accomplice of controversial behaviours,
3. promote best practices and efforts.

In effect, countries' compliance with international conventions, norms and standards are a key dimension of DPAM's country sustainability model, and it is extensively used as screening criteria. Thus, when analysing countries' adhesion to Transparency and Democratic values (which is at the heart of the country sustainability model), we use the Freedom House's Freedom in the World Index and the Economist Intelligence Unit Democracy Index to ensure that non-democratic countries are excluded from investment portfolios. In the same way, DPAM's country sustainability model integrates ESG criteria pertaining to human rights (1), labour rights (2), various environmental issues (3), some governance topics as well as corruption matters (4). These four pillars fully cover the U.N. Global Compact principles. DPAM's country sustainability model also includes ESG criteria pertaining to the population's level of well-being (looking into education, health, inequalities, etc.), as well as countries climate change policy and achievements (through greenhouse gases emissions, electricity mix, energy intensity, etc.).

DPAM updates its analysis and the corresponding investment portfolios twice a year. In addition to that, DPAM continuously monitors the developments and news affecting countries' sustainability profiles. DPAM's Fixed-Income Sustainability Board (FISAB) regularly adapts the analysis criteria and scoring weights within the country sustainability model, in a way to make it as relevant as possible given the ever-changing sustainability issues countries are exposed to.

6. RECOGNIZED GLOBAL STANDARDS (INCL. UNITED NATIONS GLOBAL COMPACT, AND OTHER STANDARDS)

DPAM reviews the compliance of its Sustainable strategies (defined as SFDR art.9 and art.8plus), and of its Mainstream SFDR art.8 strategies, with recognized Global Standards[55].

The best known Global Standard probably is the United Nations Global Compact. Launched in 2004, the United Nations Global Compact principles have quickly established themselves as the framework of reference for sustainability normative screenings. Hence, in 2018, 42% of the European sustainable strategies applying a normative screening were based on the ten principles of the United Nations Global Compact[56]. DPAM fully endorses the ten principles, as evidenced by the fact that all DPAM's sustainable funds are applying a normative filter including the U.N. Global Compact (as well as other standards such as ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties).

Therefore, DPAM excludes from its actively managed funds[57] classified as SFDR art.9, SFDR art.8plus and SFDR art.8 all issuers which are not compliant with the recognized Global Standards i.e., U.N. Global Compact, ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties. And so, if either Sustainalytics or MSCI-ESG consider that an issuer is non-compliant, the issuer is excluded. In other words, DPAM does not require both Sustainalytics and MSCI-ESG to declare an issuer non-compliant. One source is enough to trigger the exclusion.

The recognized Global Standards also play an essential role in ensuring that sustainable investments in the meaning of SFDR "*do not significantly harm*" their environmental and/or social objectives. Therefore, DPAM excludes issuers which are not compliant with the recognized Global Standards for all DPAM actively managed portfolios[58] falling in the scope of article 9 SFDR, of article 8 plus SFDR or of article 8 SFDR. In the event that DPAM declares the issuer ineligible, the portfolio manager will sell the investment concerned in the interest of the shareholders of the sub-fund within three months, from the date of the final decision of ineligibility SFDR.

For all DPAM actively managed strategies classified under the "others" SFDR category, and for all DPAM index-tracking strategies[59], DPAM is monitoring the alignment of the portfolios with the recognized Global Standards. However, this monitoring does not trigger neither any systematic exclusion nor any formal portfolio management constraint. Consequently, it remains possible for portfolio managers to invest in securities that do not comply with them. Nonetheless, DPAM encourages its portfolio managers to take these criteria into account. Moreover, for some DPAM index-tracking strategies, the benchmark may already exclude companies/issuers which are not compliant with Global Standards.

Moreover, DPAM continuously monitors and analyses ESG controversies for the companies/issuers it is invested in. The ESG controversy screening covers the same issues as the recognized Global Standards (i.e., human Rights, labour rights, environmental issues, as well as governance and corruption), the main difference being that the ESG controversy screening applies even stricter requirements on companies/issuers and leads to additional exclusions.

[55] Examples of Recognized Global Standards are: the UN Global Compact, ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties.
[56] Eurosif SRI study 2018 : http://www.eurosif.org/wp-content/uploads/2018/11/European-SRI-2018-Study-LR.pdf
[57] Within the framework of this policy (see section 2 on its Scope).
[58] Within the framework of this policy (see section 2 on its Scope).
[59] Within the framework of this policy (see section 2 on its Scope).

7. HUMAN RIGHTS AND LABOUR RIGHTS

Human rights and labour rights criteria are part and parcel of the responsible investment filter which is applied on all Human rights and labour rights criteria are part and parcel of the responsible investment filter which is applied on all DPAM's sustainable and responsible investment strategies.

This filter enables the exclusion from the eligible investment universe of all companies/issuers which are not fully compliant with human rights and labour rights. DPAM promotes the fundamental labour rights: the rights relating to the prevention of child labour, the mitigation of discrimination and forced labour, the freedom of association and the right to collective bargaining, the right to a healthy and safe workplace and the labour rights pertaining to remuneration and working time. This list directly originates in the general principles mentioned in the fundamental conventions of the International Labour Organisation and the directives of the OECD.

Companies/issuers which are repeatedly involved in human rights or labour rights violations, and / or which are involved in severe violations of human rights or labour rights, are excluded from all actively managed strategies[60] classified as SFDR article 9, article 8 plus and article 8, by mean of DPAM' ESG controversy screening.

DPAM approach notably (but not exclusively) covers the following Human Rights and Labour Rights aspects:

- Gender & diversity;
- Controversial involvement with governments from Oppressive regimes;
- Reported involvement with Death penalty.

The respect of human rights and labour rights plays a key role in ensuring that sustainable investments in the meaning of SFDR "do not significantly harm" their environmental and social objectives. In this perspective, DPAM excludes these companies – i.e., companies repeatedly involved in human rights or labour rights violations, and/or involved in severe violations of these rights – from all DPAM actively managed strategies[61] falling in the scope of article 9 SFDR, of article 8 plus SFDR and of article 8 SFDR. In the event that the issuer is declared ineligible, the portfolio manager will sell the investment concerned in the interest of the shareholders of the sub-fund within three months, from the date of the final decision of ineligibility.

For all DPAM actively managed strategies classified under the "others" SFDR category, and for all DPAM index-tracking strategies[62], DPAM is monitoring the exposure of the portfolios to companies involved in repeated and/or severe ESG controversies, including in human rights or labour rights violations. However, this monitoring does not trigger neither any systematic exclusion nor any formal portfolio management constraint. Consequently, it remains possible for portfolio managers to invest in securities that do not comply with them. Nonetheless, DPAM encourages its portfolio managers to take these criteria into account. Moreover, for some DPAM index-tracking strategies, the benchmark may already exclude companies/issuers which are not compliant with human rights and labour rights.

In the context of our investments in government bonds, our view is that normative filters are not the most appropriate manner to assess a country's sustainability profile, as it can be very easy for a country to sign a convention without actually upholding it. Therefore, we favour alternative indicators which measure more effectively the respect of human and labour rights within each country. Adherence to international conventions is only used to assess the level of commitment to sustainable development of the countries analysed.

[60] Within the framework of this policy (see section 2 on its Scope).
[61] Within the framework of this policy (see section 2 on its Scope).
[62] Within the framework of this policy (see section 2 on its Scope).

8. ENVIRONMENTAL DAMAGES

Adopting a precautionary approach towards environmental issues and taking responsibility for preserving the environment are also included in DPAM's responsible investment assessment process as criteria of analysis.

With regards to the sustainability analysis of countries, we review states' level of environmental performance based on various criteria pertaining to the preservation of natural resources, their environmental strategies, their actual environmental impacts, and the ratification of several international agreements.

Regarding corporations, their commitments to respect and preserve the environment are also assessed and they are taken into account in the calculation of their global sustainability score. Environmental criteria are defined for each sector so as to review whether companies are addressing the environmental challenges that are relevant to their sector of activity.

Companies/issuers which are repeatedly involved in causing significant Environmental damages, and / or which are involved in in causing severe Environmental damages, are excluded from all DPAM actively managed strategies[63] classified as SFDR article 9, article 8 plus and article 8, by mean of DPAM' ESG controversy screening.

DPAM approach notably (but not exclusively) covers the following environmental aspects:

- Biodiversity (e.g., deforestation, palm oil);
- Water use;
- Pollution & waste (e.g., plastics).

The protection of the environment in general, and the avoidance of environmental damages are key principles in DPAM's effort to ensure that sustainable investments in the meaning of SFDR "do not significantly harm" their environmental and social objectives. In this perspective, DPAM excludes these companies – i.e., companies repeatedly involved in significant environmental damages – from all DPAM actively managed strategies[64] falling in the scope of article 9 SFDR, of article 8 plus SFDR and of article 8 SFDR. In the event that the issuer is declared ineligible, the portfolio manager will sell the investment concerned in the interest of the shareholders of the sub-fund within three months, from the date of the final decision of ineligibility.

For all DPAM actively managed strategies classified under the "others" SFDR category, and for all DPAM index-tracking strategies, DPAM is monitoring the exposure of the portfolios to companies involved in repeated and/or severe ESG controversies, including concerning environmental damages. However, this monitoring does not trigger neither any systematic exclusion nor any formal portfolio management constraint. Consequently, it remains possible for portfolio managers to invest in securities that do not comply with them. Nonetheless, DPAM encourages its portfolio managers to take these criteria into account. Moreover, for some DPAM index-tracking strategies, the benchmark may already exclude companies/issuers which are repeatedly involved in significant environmental damages.

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[63] Within the framework of this policy (see section 2 on its Scope).
[64] Within the framework of this policy (see section 2 on its Scope).

9. CORRUPTION

The prevalence of corruption and the measures taken to mitigate it are taken into consideration in the sustainability analysis of states as well as of companies/issuers.

The corruption index of the NGO Transparency International is part of the selection criteria used when selecting OECD country and emerging market government bonds.

Regarding corporations, the measures taken to prevent corruption are taken into consideration for all sectors. Companies/issuers which are repeatedly involved into corruption or bribery cases, and / or which are involved into severe instances of corruption or bribery, will be excluded from all DPAM actively managed strategies[65] classified as SFDR article 9, article 8 plus and article 8, by mean of DPAM' ESG controversy screening.

The avoidance and mitigation of corruption and bribery under all their forms is a core principle in DPAM's effort to ensure that sustainable investments in the meaning of SFDR "do not significantly harm" their environmental and social objectives. In this perspective, DPAM excludes these companies – i.e., companies repeatedly involved in significant alleged cases of corruption or bribery –from all DPAM actively managed strategies[66] falling in the scope of article 9 SFDR, of article 8 plus SFDR and of article 8 SFDR. In the event that the issuer is declared ineligible, the portfolio manager will sell the investment concerned in the interest of the shareholders of the sub-fund within three months, from the date of the final decision of ineligibility.

For all DPAM actively managed strategies classified under the "others" SFDR category, and for all DPAM index-tracking strategies[67], DPAM is monitoring the exposure of the portfolios to companies involved in repeated and/or severe ESG controversies, including concerning corruption or bribery. However, this monitoring does not trigger any systematic exclusion nor any formal portfolio management constraint. Consequently, it remains possible for portfolio managers to invest in securities that do not comply with them. Nonetheless, DPAM encourages its portfolio managers to take these criteria into account. Moreover, for some DPAM index-tracking strategies, the benchmark may already exclude companies/issuers which are repeatedly involved in significant alleged cases of corruption or bribery.

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[65] Within the framework of this policy (see section 2 on its Scope).
[66] Within the framework of this policy (see section 2 on its Scope).
[67] Within the framework of this policy (see section 2 on its Scope).

10. TAXATION

Transparency about tax matters is a major challenge for companies/issuers. The parameter relating to 'tax transparency' in our analytical grids allows us to identify the companies/issuers which are involved in excessive tax optimisation and/or which are active in countries that may be considered as tax havens. However, significant progress has been achieved over the last years and all OECD countries have now (at the moment when this policy is written) agreed to apply the principles of transparency and to exchange tax information with foreign tax authorities, as requested by the OECD.

However, the actual exchange of tax information is not optimal yet. That is why the OECD has created the "Global Forum on Transparency and Exchange of Information for Tax Purposes Blacklist". A jurisdiction on the blacklist is exposed to potential tax sanctions, imposing higher taxes on the inflows and outflows on their territory. That is why tax transparency is so important for companies/issuers and why DPAM's ESG scoring model allocates a specific weighting to this piece of information, so that the potential exposure to this risk can be analysed.

If the activity is transparent and complies with applicable tax regulations, no legal measures can be taken against companies/issuers optimising their tax structure. As a matter of fact, it is not illegal for a company/issuer to opt for an offshore structure, and the stated justifications are generally to avoid a suboptimal legal framework within a specific country, to prevent double taxation or to address political instability.

However, we need to pay attention to aggressive tax optimisation, which is widely regarded as unjustifiable by citizens and governments and could trigger a regulatory response targeting the companies/issuers involved. Indeed, because of aggressive tax optimisation, the following problems arise:

- Competitive distortion / Unfair competition between multinationals and small and mid-sized companies/issuers, which face substantially higher tax rates (tax fairness);
- Loss of earnings for governments, as extreme tax optimisation undermines the income potential of states, which jeopardises their ability to finance sustainability policies. In 2015, the OECD estimated that, between 100 and 240 billion euro per year was lost every year to aggressive tax planning among its 37 member countries alone. This is equivalent to between 4% and 10% of global revenues from corporate income tax. Also, the average global corporate tax rate has fallen from 40% in 1980 to 24% in 2019 (OECD);
- Downward pressure on wages in high-tax jurisdictions, as a result of asset transfers between subsidiaries and a relocation of companies' registered offices.

Globalization has also opened opportunities for multinational enterprises (MNEs) to greatly reduce the taxes they pay. The use of legal arrangements that make profits disappear for tax purposes or allow profits to be artificially shifted to low or no-tax locations is referred to as Base Erosion and Profit Shifting (BEPS). Moreover, the growing digitalization of the World economies is also creating new challenges for tax collection. Digitalization is characterized by the growing importance of investment in intangibles (data, patents, etc.), making it difficult for tax authorities to reliably identify in which country income and profits are truly generated and could be legitimately taxed. As outlines by the OECD, three important phenomena facilitated by digitalization – scale without mass, reliance on intangible assets, and the centrality of data – pose serious challenges to elements of the foundations of the global tax system, which was developed in a "brick-and-mortar" economic environment more than a century ago. Therefore, there is a need to ensure that the tax system is fair and equitable. Governments need to balance goals such as increased revenue mobilization, growth, and reduced compliance costs with ensuring that the tax system is fair (among large and small companies, among companies and households, etc.), equitable and effective.

Governments are gradually preparing a regulatory answer to aggressive tax optimisation, and we are currently witnessing an acceleration of efforts, by several key governments (several OECD members, as well as the E.U. Commission), to set-up legal frameworks at the national and international levels, with a view to gradually reduce the depths of tax optimisation by multinational companies. More specifically, the Biden administration has pushed for an agreement on a minimum corporate income tax rate at the OECD, G7, and G20, with some partial success. A joint statement has been signed by 130 countries, instating a minimum effective taxation of profits of Multinational Enterprises ("pillar two") as well as the partial re-allocation of taxing rights to market jurisdictions where consumers or users are located ("pillar One"). At the EU level, the *Anti-Tax Avoidance Directive* already provides a minimum level of protection against corporate tax avoidance throughout the EU since 2019, and the public *country-by-country reporting (CBCR) directive* is expected to be voted this year, thus reducing further the possibilities of corporate tax optimisation within the EU. In anticipation of this regulatory tightening, and in-line with DPAM threefold Sustainability commitment, we have decided to develop an approach with a view to identify issuers at risk of involvement in aggressive tax optimisation. Our goal is dual here: (1) avoid or reduce risks of involvement in tax-related controversies or litigation among our investee companies, and (2) engage with issuers to promote responsible tax practices.

The dedicated approach developed by DPAM reflects this dual objective: (1) It identifies issuers which might be at risk of involvement in aggressive tax-optimisation thanks to selected indicators such as estimates measuring the degree (or depth) of the tax optimisation practices, the issuers' involvement in Tax-related controversies, the degree of transparency of the issuers' tax reporting, etc.; (2) It favours engagement with issuers. Sustainable and responsible investors are confronted with a lack of reliable data about issuers' actual involvement in tax optimisation. By definition, more transparency makes tax optimisation more difficult, hence only few reliable data are available and therefore we must rely on estimates. For this reason, it is not possible to apply hard exclusion on issuers in a consistent and reliable manner. Consequently, we favour an engagement approach, promoting best practices towards issuers.

DPAM has identified the *GRI 207: Tax 2019* standard as a globally applicable public reporting standard for tax transparency. This standard sets expectations for disclosure of tax payments on a Country-by-Country basis, alongside tax strategy and governance, and it is designed to "enable organizations to better understand and communicate information about their tax practices publicly". We believe that this standard might constitute a good reference framework for companies to report on their tax practices and strategy. Also, DPAM may refer to this standard when reviewing the tax strategy of its investee companies, and when issuing suggestions for them. DPAM reserves the right to diverge from the recommendations of the standard when it considers that some better practices may be preferable (for instance we may refer to another standard), or generally when it deems the standard not fully applicable for a given issuer (for instance given the nature of its activities). Throughout its engagement practices, DPAM aims to promote transparency on taxation matters among its investee companies, to support the adoption of best practices in this domain, and to further refine and deepen the integration of Sustainability risks into its investment decisions.

11. CORPORATE GOVERNANCE

DPAM has adopted a voting policy which is based on four key principles:

- protection of shareholders;
- sound corporate governance;
- transparency and integrity of information and;
- social and environmental responsibility.

DPAM thus also takes into consideration the quality of the governance of the European companies/issuers in which it invests. Governance criteria pertaining to the quality of the board of directors, equality and transparent remuneration, respect for (minority) shareholders and internal checks and balances are key factors in selecting the investable securities.

In the context of global equity investments, companies/issuers facing severe allegations in terms of their corporate governance are excluded from the investment universe.

Numerous studies, in particular from the World Bank, have demonstrated that, in respect of government bonds, a positive correlation exists between the quality of the governing bodies of a state and low sovereign default rate.

The quality of governing bodies is assessed in the context of the specific SRI strategies for government bonds.

12. ANIMAL RIGHTS

Several sectors may be forced to deal with the animal rights issue. This concerns in particular the pharmaceutical, cosmetics, household products and luxury (fur) sectors.

For our strategies investing in sustainable European equities, the responsible investment filter takes into account companies' animal testing policies in the following sectors: pharmaceuticals, textile, chemicals, foodstuffs, cosmetics and household products, and the retail sector. Where applicable, the assessment takes into account the quality of this policy, and whether it aims at reducing, redefining and replacing animal testing.

13. DPAM'S BLACKLIST

This Controversial Activities policy outlines DPAM's exclusion practices based on companies' business activities, product lines of business and / or sector of operation. Even though it falls outside the formal scope of this controversial activities policy, we would also like to clarify that DPAM also monitors companies' controversial behaviour when analysing companies' eligibility for its sustainable strategies.

DPAM has set itself a threefold commitment, as a general guideline for its responsible and sustainable investments:

1. Defend the **fundamental rights** pertaining to the respect for human rights, labour, anti-corruption and environmental protection;
2. Assess the seriousness of **controversies** that issuers may face; to divest or avoid financing companies/issuers that are seriously and / or repeatedly involved in controversies, notably when they may affect corporate reputation, long term growth and investments; and,
3. Promote **best practices** and encourage on-going efforts towards sustainability.

This threefold commitment is applied throughout all DPAM's Sustainable strategies, through the following three screenings:

- Compliance with the recognized Global Standards i.e., UN Global Compact, ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties – sustainable strategies do not invest in companies/issuers that do not comply with them.
- Assessment of the controversy: in addition to excluding the companies/issuers involved in the usual controversial activities (see above, e.g., tobacco), our Sustainable strategies do not invest in the most controversial companies/issuers (controversy level 5 (scale from 1 to 5 being the worst) and possibly controversy level 4 in case of a negative assessment by our Responsible Investment Steering Group).
- Quantitative assessment of the ESG score of companies/issuers: the relevant Sustainable strategies do not invest in companies/issuers with a low ESG score within their sector of activity.

Companies/issuers that are **non-compliant with recognized Global Standards** (including the U.N. Global Compact) or face a **severe ESG controversy** are added on DPAM's blacklist and excluded from all actively-managed Sustainable investment strategies (i.e., defined as SFDR art.9 and art.8plus) strategies, as well as from the actively-managed mainstream strategies classified as SFDR art.8 (for detailed explanations, please refer to the paragraphs on Global Standards, Human Rights and Labour Rights, Environmental Damages, Corruption).

14. EXCLUSION LIST FROM THE NORWEGIAN GOVERNMENT PENSION FUND GLOBAL

In keeping with our policy regarding controversial activities and approaches, we pay attention to the blacklist of the Norwegian Government Pension Fund Global, which was established through a Council on Ethics, to address the ethical norms of the Norwegian people. This major European sovereign fund puts in major resources and means to identify the controversies in which more than 8,000 invested companies may be involved, and to assess their legitimacy. Based on the seriousness and the scope of the violation, and in particular the tangible improvements an issuer is able to make, the Council on Ethics will judge whether an issuer violating the norms will be excluded.

The policy adopted by the Norwegian Government Pension Fund Global regarding the exclusion of companies/issuers which have allegedly violated international norms is often mentioned as an example.

DPAM appreciates the transparency of the exclusion list of the Norwegian Government Pension Fund Global. As a matter of fact, the decision by the Ministry of Finance is detailed and publicly available, and the technical report drawn up by the Ethical Advisory Board justifying the grounds for exclusion can also be consulted publicly. However, DPAM benefits from the unbiased information of three experts in the field of controversial weapons or regarding controversies. Following the recent developments of several companies/issuers mentioned on the blacklist and the outcome of the engaged dialogue with the Norwegian Minister of Finance on the specific profiles, DPAM has decided not to apply the list of the Norwegian Government Pension Fund Global, but to take it into account in keeping with other independent information sources.

15. ANNEXES

N/A

16. GLOSSARY

APL	Anti-Personnel Landmines
BEPS	Base Erosion and Profit Shifting: tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.
CAPEX	Capital Expenditure
CM	Cluster Munitions
DPAM	Degroof Petercam Asset Management
DPU	Depleted Uranium munitions and armours
ESG	Environment Social and Governance
FISAB	Fixed-Income-Sustainability Board
FSC	Forest Stewardship Council
GMO	Genetically Modified Organism
IEA	International Energy Agency
IEA ETP 2DS	International Energy Agency Energy Technology Perspectives 2 degrees Celsius Scenario: the 2 degrees Celsius scenario (main climate scenario), shows a pathway to limit the rise of global temperature to 2ºC, and finds the global power sector could reach net-zero CO2 emissions by 2060.
IEA SDS	International Energy Agency Sustainable Development Scenario
IEA WEO 450	International Energy Agency World Energy Outlook scenario: based on 450 parts per million of CO2 equivalent, which equates to a 50% chance of meeting the goal of limiting the long-term increase in average global temperature to 2 °C compared with pre-industrial levels.
IRENA REmap	International Renewable Energy Agency Renewable Energy Roadmap
MIT	Massachusetts Institute of Technology
MSCI-GICS	MSCI Global Industry Classification Standard
NGO	Non-Governmental Organisation
NPP	Nuclear Power Plant
OECD	Organisation for Economic Co-operation and Development
PM	Portfolio Manager
RICC	Responsible Investment Competence Centre
RISG	Responsible Investment Steering Group
RSPO	Roundtable for Sustainable Palm Oil
R&D	Research & Development
SRI	Sustainable & Responsible Investing / Sustainable & Responsible Investment
UNGC	United Nations Global Compact
WHO	World Health Organization

PROMOTING ENVIRONMENTAL AND SOCIAL OBJECTIVES	**To promote environmental and social objectives in the portfolio by defending the fundamental rights, by not investing in activities and/or behavior of companies which might affect the reputation on long-term of the investments and by optimizing the positive net impact to the Society as a whole**	▪ External resources through screenings, data, issuer and sectoral reports including eligible universe based on recognized Global Standard norm screening and controversies severity negative screening ▪ Internal resources through fundamental in-depth research based on preliminary screening based on ESG scores or ESG KPI's through scorecards ▪ Systematic review of the controversies severities ▪ Systematic monitoring of the compliance status with recognized Global Standards (incl. the Principles of the Global Compact) ▪ Assessment and measurement of the positive and negative impact to the 17 sustainable objectives of the United Nations ▪ Engaged dialogue to clarify ESG concern and to highlight the ESG impact of products and services ▪ Individual and collaborative engagement to promote best practices and to optimize the net positive impact to the Society and all stakeholders ▪ Etc.	▪ Portfolio managers ▪ Fundamental buy-side analysts ▪ Responsible Investment Competence Center (RICC) ▪ RISG ▪ TCFD Steering Group	▪ RISG ▪ TCFD Steering Group ▪ Portfolio management teams ▪ Risk management ▪ VAB ▪ FISAB ▪ Management Board

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