DPAM

DEGROOF PETERCAM ASSET MANAGEMENT

JULY 2023 – VERSION 4

PRINCIPAL ADVERSE IMPACT STATEMENT

CONTENTS

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

I. SUMMARY

Degroof Petercam Asset Management SA/NV (DPAM), 549300R1P3NMZ5PKOE77, considers principal adverse impacts of its investment decisions on sustainability factors ("PAI"). This statement is the consolidated statement on principal adverse impact on sustainability factors of DPAM and covers the reference period from 1 January 2022 to 31 December 2022.

DPAM assesses principal adverse impact at entity level by measuring and monitoring the aggregated negative impact on sustainability factors of in-scope funds' and managed portfolios' investments. DPAM considers the mandatory principal adverse impact indicators and two voluntary indicators, defined by the Sustainable Finance Disclosure Regulation (SFDR), subject to data availability and quality.

This statement applies consistently to all DPAM-labelled public funds and sub-funds for which DPAM acts as the management company, excluding passive funds that do not qualify as article 8 or 9 financial products as per Regulation (EU) 2019/2088. It does apply to discretionary portfolio management mandates DPAM manages on behalf of institutional asset owners/investors, where specifically requested by the counterparty. Additionally, it applies to funds and sub-funds managed by DPAM by delegation for external parties, where specifically requested by the counterparty. It may apply to a non-public fund managed by DPAM to the extent foreseen in its offering document.

DPAM does not consider adverse impacts of its investment decisions on sustainability factors for derivatives as no established accounting methodologies are available for these financial instruments.

This statement provides details on the different principle adverse indicators and maps policies to identify and prioritise principal adverse impacts on sustainability factors. DPAM's sustainable and responsible investment policy and controversial activities policy are used to identify and prioritise principle adverse impacts. DPAM's stance on active ownership, represented in its engagement policy and voting policy, mitigates potential adverse impacts of its investments. The different policies and subsequent approaches of DPAM are rooted in international standards.

II. DESCRIPTION OF **THE PRINCIPLE ADVERSE SUSTAINABILITY IMPACTS**

DPAM's different' policies depict the extent to which Principle Adverse Sustainability Impacts (PAIs) need to be taken into consideration in a structural manner. These policies include:

- the sustainability & responsible investment policy (SRI policy);
- the controversial activities policy (Exclusion policy);
- the engagement policy, and;
- the proxy voting policy (Voting policy).

The PAIs that are considered and the way they are (or can be) considered depend on the type of financial product. The tables below exhibit the mandatory PAIs for both corporates and sovereigns, as well as the additional PAIs for environmental and social matters. The voluntary indicators were selected after a careful consideration of the major materiality risks across DPAM's investments that were not yet covered by other indicators on principal adverse impacts on sustainability factors.

These tables include the different adverse sustainability indicators, a short description of the metric, the quantitative impact of the PAIs as the average of impacts of theses PAIs on 31 March, 30 June, 30 September and 31 December of the period from 1 January to 31 December 2022, and the actions taken, and actions planned, and targets set for the next reference period.

Year 2022 is the first reference period for which the quantitative impact of the PAIs is being calculated. The columns of the quantitative impact [year n-1] and the explanation column explaining the differences between the [year 2022] and [year n-1] periods are therefore not applicable to the present statement.

For the purpose of the calculation of impact in tables 1, 2, 3 and 4, DPAM excluded third-party funds, derivatives, and cash from the scope.

For the column of "actions taken, and actions planned, and targets set for the next reference period", there is a split between actions for responsible products (SFDR article 6 or 8 products) and actions for sustainable products (SFDR article 8+ or 9 products). The figure below depicts the processes applied for either type of products, and the specific policy that details this process.

RESPONSIBLE INVESTMENT					**SUSTAINABLE** INVESTMENT		
ESG INTEGRATION	**ACTIVE OWNERSHIP**	**BASIC NEGATIVE SCREENING**	**NORMATIVE SCREENING**	**EXTENSIVE NEGATIVE SCREENING (BEHAVIOR)**	**EXTENSIVE NEGATIVE SCREENING (ACTIVITIES)**	**POSITIVE SCREENING**	**SUSTAINABILITY THEMES**
Inclusion in investment decisions	*Influencing behaviour*	*Exclusions based on activity*	*Compliance with standards/ norms*	*Extensive exclusions based on behavior*	*Extensive exclusions based on activities*	*Best in class*	*In-depth qualitative analysis*
SRI Policy	Voting policy Engagement policy	Exclusion policy	Exclusion policy	Exclusion policy	Exclusion policy	SRI policy	SRI Policy

Art. 6 products

Art. 8 products

Art 8+ / 9 products

1. TABLE 1: INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

1.1 Greenhouse gas emissions

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD[1]
1. GHG emissions	Scope 1 GHG emissions	tCO_2e	957,652.05	N/A	N/A	Through its **Exclusion policy**, DPAM excludes certain companies from investment. As part of the **normative screening**, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies.
	Scope 2 GHG emissions	tCO_2e tCO_2e	251,218.82	N/A	N/A	
	Scope 3 GHG emissions	tCO_2e	1,275,003.15*	N/A	N/A	
	Total GHG emissions	tCO_2e	8,196,624.72	N/A	N/A	
2. Carbon footprint	Carbon footprint	tCO_2e/mn EUR invested	257.70	N/A	N/A	
3. GHG intensity of investee companies	GHG intensity of investee companies	tons CO_2e/mn EUR sales	1,143.20	N/A	N/A	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector[2]	% of AUM (excl. sovereign bonds)	6.32%	N/A	N/A	As part of its **basic negative screening**, DPAM excludes companies with revenues derived from thermal coal extraction. This

[1] This depicts the DPAM approach. A different approach might be applied when requested by the counterparty for discretionary portfolio management services.

*** These emissions do not include the downstream scope 3 emissions yet, which will be remedied during the next iteration of this report. The downstream scope 3 emissions are used to calculate the total GHG emissions PAI.** Scope 3 downstream emissions account for 6,921,621.57 tCO_2e.

[2] Once a company derives revenues from exposure towards the fossil fuel activities defined under Annex I of supplementing Regulation (EU) 2019/2088, the total invested amount is counted.

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD[1]
5. **Share of non-renewable energy consumption and production** Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption	% of total energy consumption	56.82%	N/A	N/A	screening also excludes companies that derive a certain portion of coal-based power generation, or unconventional oil & gas production. As part of its **extensive negative screening (activities)**, DPAM also has set exclusions for conventional oil & gas exploration, extraction, refining and transport. It also excludes the generation of power from non-renewable energy sources or providing dedicated equipment or services. The exclusion thresholds of the thermal coal extraction, and unconventional oil & gas production are more stringent than with the basic negative screening. All thresholds for exclusion are depicted in the Exclusion policy. Next to the focus on activities, the **extensive negative screening (behaviour)** excludes companies with the most severe controversial behaviour. This covers a company's operational aspects such as emissions, as well as the environmental impact of its products and services. Through its **Voting policy and engagement policy**, DPAM influences
	Production	% of total energy production	Data calculation under review	N/A	N/A	
6. **Energy consumption intensity per high impact climate sector** Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Agriculture, forestry and fishing	GWh / mn EUR revenue	5.31	N/A	N/A	
	Construction	GWh / mn EUR revenue	0.17	N/A	N/A	
	Electricity, gas steam and air conditioning supply	GWh / mn EUR revenue	3.84	N/A	N/A	
	Manufacturing	GWh / mn EUR revenue	0.82	N/A	N/A	
	Mining and quarrying	GWh / mn EUR revenue	6.97	N/A	N/A	
	Real estate activities	GWh / mn EUR revenue	1.83	N/A	N/A	
	Transportation and storage	GWh / mn EUR revenue	1.25	N/A	N/A	

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD[1]
	Water supply: sewerage, waste management and remediation activities	GWh / mn EUR revenue	0.53			companies on their behaviour with regards to greenhouse gas emissions. It systematically votes for say-on-climate

	Wholesale and retail trade; repair of motor vehicles and motorcycles	GWh / mn EUR revenue	0.23	N/A	N/A	proposals in case these are ambitious enough and votes against if not meeting the requirements for its pre-defined framework. As part of its environmental values, it focusses engaging companies on disclosing scope 3 emissions and science-based targets. The engagement policy has a clear escalation process, that is consistent with DPAM's ambition to have all assets under management achieve net zero emissions by 2050. Part if these engagements take place through the Climate Action 100+ and CDP's Non-Disclosure Campaign that DPAM is member of. Additional details on DPAM's **active ownership** in this area can be found in the respective policies. DPAM is a signatory of the **Net Zero Asset Management (NZAM) initiative**. It supports the goal of net zero greenhouse gas emissions by 2050 and aligned with the Paris Agreement or sooner. With regards to DPAM active funds in scope of this statement, in each SFDR art8, 8bis and 9 compartments, 75% of the portfolio constituents of carbon intensive sectors need to have Science Based Targets or emissions aligned with a 1.5°C scenario by 2030. Moreover, in each SFDR art8, 8bis and 9 active compartments, 50% of the portfolio constituents of non-carbon intensive sectors need to have Science Bade Targets or emissions aligned with a 1.5°C scenario by 2030. In its **SRI policy**, DPAM describes how it includes material greenhouse gas related

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD[1]
						risks as part of its **positive screening**, ultimately favouring the best performers.

1.2 Biodiversity

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD[3]
7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	% of AUM (excl. sovereign bonds)	4.73%	N/A	N/A	Through its **Exclusion policy**, DPAM excludes certain companies from investment. As part of the **normative screening**, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies. As part of its **basic negative screening**, DPAM excludes companies with certain revenues derived from coal-based power generation, or unconventional oil & gas production. As part of its **extensive negative screening (activities)**, DPAM has also set exclusions for conventional oil & gas exploration, extraction, refining and transport. It also excludes companies in the palm oil value chain that don't adhere to proper

[3] This depicts the DPAM approach. A different approach might be applied when requested by the counterparty for discretionary portfolio management services.

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD[3]
						certifications. The exclusion thresholds of the thermal coal extraction, and unconventional oil & gas production are more stringent than with the basic negative screening. All thresholds for exclusion are depicted in the Exclusion policy. Next to the focus on activities, the **extensive negative screening (behaviour)** excludes companies with the most severe controversial behaviour. This covers a company's operational aspects such as causing severe biodiversity loss, as well as the environmental impact of its products and services. In its **SRI policy**, DPAM describes how it includes material biodiversity- related risks as part of its **positive screening**, ultimately favouring the best performers. DPAM is developing methods to evaluate the materiality of biodiversity for its portfolios, and the impact of its portfolios on biodiversity. It will set quantified targets in order to combat biodiversity loss, latest by 2024.

1.3 Water

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	tons/mn invested	0.20	N/A	N/A	Through its **Exclusion policy**, DPAM excludes certain companies from investment. As part of the **normative screening**, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies. As part of its **basic negative screening**, it excludes companies with certain revenues derived from unconventional oil & gas production, which is heavily polluting water resources. As part of its **extensive negative screening (activities)**, DPAM has set more stringent exclusion thresholds for unconventional oil & gas production. All thresholds for exclusion are depicted in the Exclusion policy. Next to the focus on activities, the **extensive negative screening (behaviour)** excludes companies with the most severe controversial behaviour. This covers a company's operational aspects

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD
						such as causing severe water pollution loss, as well as the environmental impact of its products and services. In its **SRI policy**, DPAM describes how it includes material emissions to water related risks as part of its **positive screening**, ultimately favouring the best performers.

1.4 Waste

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD[4]
9. **Hazardous waste and radioactive waste ratio**	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	tons/mn EUR invested	10.47	N/A	N/A	Through its **Exclusion policy**, DPAM excludes certain companies from investment. As part of the **normative screening**, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies. As part of its **basic negative screening**, it excludes companies with revenues derived from thermal coal extraction, which creates radioactive waste. As part of its **extensive negative screening (activities)**, DPAM also has set exclusions nuclear power capacity. The exclusion thresholds of the thermal coal extraction are more stringent than with the basic negative screening. All thresholds for exclusion are depicted in the Exclusion policy.

[4] This depicts the DPAM approach. A different approach might be applied when requested by the counterparty for discretionary portfolio management services.

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD[4]
						In its **SRI policy**, DPAM describes how it includes the material risk of hazardous waste and radioactive waste as part of its **positive screening**, ultimately favouring the best performers

1.5 Social and employee matters

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD5
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multi-national Enterprises[6]	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	% of AUM (excl. sovereign bonds)	0.19%	N/A	N/A	Through its **Exclusion policy**, DPAM excludes certain companies from investment. As part of the **normative screening**, companies in breach with the Global Standards are omitted from investments. Not complying with these Standards equates to violating UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. As part of the **normative screening**, companies in breach with the Global Standards are omitted from investments. These Standards focus on -but are not limited to- labour rights and human rights. The **extensive negative screening (behaviour)** excludes companies with the most severe controversial behaviour. This
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	% of AUM (excl. sovereign bonds)	57.42%	N/A	N/A	

[5] This depicts the DPAM approach. A different approach might be applied when requested by the counterparty for discretionary portfolio management services.

[6] For DPAM's range of indexing strategies, it relies only on the data from MSCI ESG to follow up on the indicator 10 "Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises".

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD5
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	% difference in average gross hourly earnings	16.91%	N/A	N/A	covers a company's operational aspects such as causing severe human rights or labour infringements, as well as the social and societal impact of its products and services. Through DPAM's **voting policy and engagement policy**, it influences companies on having proper processes and compliance mechanisms to monitor alignment with Global Standards. It is member of the collaborative engagement initiative ADVANCE by UN PRI (United Nations Principles for Responsible Investment), which expects companies to fully implement the United Nations Guiding Principles on Business and Human Rights (UNGPs). In its **SRI policy**, DPAM describes how it includes the material lack of processes and compliance mechanisms for Global Standards as part of its positive screening, ultimately favouring the best performers. DPAM is developing methods to systematically analyse the existence of proper processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises of high-risk industries through the application of the UN Guiding Principles of
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	% female board members	35.70%	N/A	N/A	
14. Exposure tocontroversial weap (anti-personnel mines, cluster munitions, chemical weapons a biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	% of AUM (excl. sovereign bonds)	0.36%	N/A	N/A	

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD5
						Business and Human Rights. This approach will be published in 2023 and translated throughout the different policies in 2024. As part of the **normative screening**, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- upholding the elimination of discrimination in respect of employment and occupation. Through DPAM's **Voting policy and engagement policy**, it influences companies on the potential unadjusted gender pay gap. It systematically votes for proposals that strive to close potential unadjusted gender pay gaps. In its **SRI policy**, DPAM describes how it includes material unadjusted gender pay gap as part of its positive screening, ultimately favouring the best performers. Through DPAM's **Voting policy and engagement policy**, it influences companies on their behaviour with regards to board gender diversity. It systematically votes against the nomination committee of a company in case the board does not meet the 1/3 female board members.

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD5
						In its **SRI policy**, DPAM describes how it includes material board gender diversity as part of its **positive screening**, ultimately favouring the best performers. As part of its **basic negative screening**, it excludes companies with any direct revenue exposure to anti-personnel landmines, cluster munitions and armours.

2. TABLE 2 INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

2.1 Environmental

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD[7]
15. GHG intensity	GHG Intensity of investee countries	tCO_2e/mn EUR GDP	624.87	N/A	N/A	Through DPAM's **engagement policy**, it influences countries in bettering their social and environmental performance. The start of any engagement is the country sustainability scorecards, which includes an environmental pillar, which includes elements such as energy efficiency and GHG intensity. In its **SRI policy**, DPAM describes how it calculates GHG intensity in the country sustainability scorecards that are the building blocks for the country sustainability rankings, as part of the **positive screening**.

[7] This depicts the DPAM approach. A different approach might be applied when requested by the counterparty for discretionary portfolio management services.

2.2 Social

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD[8]
16. Social	Investee countries subject to social violations	% of fixed income AUM (excl. corporate bonds) # countries	0.00% 0	N/A	N/A	Through its **Exclusion policy**, DPAM excludes certain countries from investment. As part of its **basic negative screening**, it excludes investments in sovereign bond issuers that are considered non-free and authoritarian. Through its **engagement policy**, DPAM influences countries in bettering their social and environmental performance. The start of any engagement is the country sustainability scorecards. These scorecards include a social pillar with a focus on population, healthcare and wealth distribution, and a governance pillar covering transparency and democratic values. In its **SRI policy**, DPAM describes how it includes investee countries subject to social violations in the country sustainability scorecards. These scorecards are the building blocks for the country sustainability rankings, as part of the **positive screening**.

[8] This depicts the DPAM approach. A different approach might be applied when requested by the counterparty for discretionary portfolio management services.

3. TABLE 3 ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

3.1 Water, waste and material emissions

ADVERSE IMPACT ON SUSTAINABILITY FACTORS (QUALITATIVE OR QUANTITATIVE)	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD9
17. Water usage and recycling	Average amount of water consumed by investee companies (in cubic metres) per million EUR of revenue	m3/mn EUR revenue	12,897.89	N/A	N/A	Through its **Exclusion policy**, DPAM excludes certain companies from investment. As part of the **normative screening**, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- undertaking initiatives to promote greater environmental responsibility. As part of its **basic negative screening**, it excludes companies with certain revenues derived from unconventional oil & gas production. In its **SRI policy**, DPAM describes how it includes the material risk of water usage and recycling as part of its **positive screening**, ultimately favouring the best performers.
	Weighted average percentage of water recycled and reused by investee companies	m3/mn EUR revenue	No data available yet	N/A	N/A	

[9] This depicts the DPAM approach. A different approach might be applied when requested by the counterparty for discretionary portfolio management services.

4. TABLE 4 ADDITIONAL INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

4.1 Social and employee matters

ADVERSE IMPACT ON SUSTAINABILITY FACTORS (QUALITATIVE OR QUANTITATIVE)	METRIC	Unit	IMPACT [YEAR 2022]	IMPACT [YEAR N-1]	EXPLANATION	ACTIONS TAKEN AND ACTIONS PLANNED AND TARGETS SET FOR THE NEXT REFERENCE PERIOD10
18. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities, or illness of investee companies expressed as a weighted average	Days lost	0.07	N/A	N/A	Through DPAM's **voting policy and engagement policy**, it influences companies on the number of days lost to injuries, accidents, fatalities or illness. It systematically votes for proposals that strive disclose more metrics or set ambitious targets in this regard. In its **SRI policy**, DPAM describes how it includes material figures around number of days lost of injuries as part of its **positive screening**, ultimately favouring the best performers.

[10] This depicts the DPAM approach. A different approach might be applied when requested by the counterparty for discretionary portfolio management services.

III. **DESCRIPTION OF POLICIES** TO IDENTIFY AND PRIORITIZE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

DPAM's Sustainable and Responsible Investment (SRI) policy is designed to identify and prioritise principal adverse impacts on sustainability factors. This policy was adopted in March 2016 and is updated annually by DPAM's Management Board, which consists of the executive directors of DPAM's Board of Directors.

The Responsible Investment Competence Center (RICC) is **responsible for implementing these policies within the organisation's strategies and procedures**. The Chief Sustainable Investment Officer heads the RICC, which comprises of five additional full-time ESG specialists. The Steering Group for Responsible Investment (RISG) is the initiator and guardian of DPAM's identity as an Active, Sustainable & Research-driven investor, and its mission to be a leading responsible investor. The RISG convenes once a month to oversee the implementation of DPAM's mission statement regarding Responsible Investment.

The Management Board receives quarterly risk updates regarding the adverse impact of the funds' portfolios and the discretionary portfolio management mandates that DPAM manages on behalf of institutional asset owners/investors. The Management Board coordinates the activities of the business lines and support functions of DPAM, including its mission to be a leading responsible investor.

DPAM also has other policies that consider some of the principal adverse impacts, as depicted in Tables 1, 2, 3 and 4 above.

- Proxy Voting Policy (initially adopted in 2013 and updated annually) (available here): The voting policy adopted by DPAM aims to defend the values and principles of corporate governance that DPAM advocates. The policy is intended to be applied by the companies in which DPAM invests on behalf of DPAM Funds or clients within the scope of this Proxy Voting Policy.
- Controversial Activities Policy (initially adopted in 2017 and updated annually) (available here): Whenever there is any doubt about a company's involvement, whether it is already invested in portfolios or considered as a potential investment for portfolios – in the controversial activities, as listed in its policy, DPAM will have an engaged dialogue with the company's management
- Engagement Policy (initially adopted in 2016 and updated annually) - (available here): DPAM's vision of responsible investing is articulated into three pillars:
  1. raising key questions about the consequences of the company's activities;
  2. being a shareholder who engages in a constructive dialogue with companies and ensuring the rights of shareholders are fully exercised; and
  3. being committed to long-term objectives and sustainable financing.

2. IDENTIFYING AND PRIORITISING ENVIRONMENTAL PRINCIPLE ADVERSE INDICATORS FOR CORPORATES

First, it is important to note that the normative filter carried out for the funds, known as the global standards check, includes an environmental protection filter.

Second, the negative screening filter is used to assess both the controversial behaviour and activities of companies, and how they relate to environmental matters. Controversial behaviour covers a company's operational aspects such as emissions, waste, biodiversity, and water usage, as well as the environmental impact of its products and services.

Finally, regarding environmental criteria that might have a negative material impact, DPAM' research and portfolio management teams pay particular attention to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The financial risks related to climate change (such as carbon price risks or physical risks related to drought) are considered by financial analysts responsible for the main sectors affected by the transition, including energy, transport, real estate, materials, agriculture, food and forestry. They assess financial risks related to climate change, such as carbon price risks or physical risks resulting from drought. DPAM's Responsible Investment Competence Centre supports this work.

DPAM also increasingly integrates physical risks, such as those resulting from natural disasters and climate change, into its investment approach through its own internal research.

Climate risks are also assessed by sector. DPAM analyses these risks in the main sectors impacted by the transition, such as energy, transport, building materials, agriculture, food and forestry, as designated by the TCFD.

DPAM is committed to integrating climate change risks into its investments through a two-pronged approach:

- Measuring the impact of our investments on climate change (e.g. NZAM reducing the carbon footprint of its portfolios to align with a 1.5 degrees scenario);
- Measuring the impact of climate change on its investments (e.g. TCFD integrating the consequences of droughts on a utility's hydropower production into its assessment).

The template DPAM developed regarding the TCFD follows the structure recommended by the TCFD group, depicted in the figure below.

The top five companies that contribute to the carbon intensity of DPAM's portfolios are assessed systematically using a template developed in collaboration between the RICC, analysts, and portfolio managers. This template includes the following adverse environmental indicators: data on greenhouse gas emissions and carbon emissions *(scope 1, 2, and 3 if relevant), as well as water data. In addition to quantitative data, analysts have identified key material risks for each sector.*

3. IDENTIFYING AND PRIORITISING ADVERSE SOCIAL INDICATORS FOR CORPORATES

First, a normative screening based on the Global Standards identifies issuers that are not compliant with fundamental principles and, consequently, not investable for most of DPAM's investment funds.

Second, the controversies screening will identify the companies facing the most severe social controversies, namely supply chain, society and community, customers and employees. Moreover, in-depth analysis of lower severity controversies also enables the identification of issuers prone to higher severity controversies in the future. Whenever an issuer is facing a controversy of level 3 or 4 (on a scale of 1 to 5), we conduct an in-depth analysed regarding the controversy itself, potential future controversies, the issuer's ESG average quality profile, and key material risks for its sector and its position regarding them. The filter on controversial activities also includes elements to mitigate severe adverse social impacts (e.g. alcohol and tobacco thresholds, adult entertainment).

Through these first two filters, DPAM distinguishes issuers based on key adverse principal indicators, such as violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) guidelines for multinational enterprises, and indicators related to employee health, security, safety, and accident prevention policies.

Our fundamental research and active voting instructions also allow DPAM to focus on another social PAI that is crucial in all our research: board diversity, including board gender diversity, as well as board experiences and expertise on diversity and adequacy.

Finally, the question of gender pay gap is also part of the fundamental analysis when relevant. It can be included at two different levels, namely:

- In the ESG score of the company, which can be used to rank the issuers in terms of best practices
- In the proprietary scorecards we develop internally for specific strategies and asset classes to assess their main sustainability risks. i.e., the most relevant ESG themes with the highest degree of financial materiality, which are identified when considering the nature of the company's business and the geographical footprint of its operations. For each of these ESG themes, DPAM selects one or more quantitative ESG indicators, which are then used to rate the company's performance on these ESG themes.

The portfolio construction process, and fund selection all take into account these ESG aspects. It's worth noting that DPAM is subject to the Mahoux law, which prohibits direct and indirect financing of controversial weapons in Belgium. As a Sustainable Actor and Investor, DPAM does not finance this type of weaponry. The PAI filters all DPAM assets at the start of the process to avoid exposure to controversial weapons.

4. IDENTIFYING AND PRIORITISING PRINCIPLE ADVERSE INDICATORS FOR SOVEREIGNS

The GHG intensity of investee countries is an integral part of the country sustainability model developed by the DPAM for its sovereign bond strategies. It is therefore included in the country sustainability score and may influence it positively or negatively depending on its level and evolution in relation to other issuing countries.

The identification and prioritisation of the principle adverse social indicator for sovereigns is also embedded in DPAM's proprietary country sustainability model. This model includes several indicators on the social aspect, such as respect for civil liberties and political rights, respect for human rights and the level of violence in the country, commitment to major labour law conventions, the issue of equal opportunities and distribution of wealth, etc. These different indicators are included in the country sustainability score and can influence it positively or negatively depending on its value and evolution per country.

5. IDENTIFYING AND PRIORITISING PRINCIPLE ADVERSE INDICATORS FOR THIRD PARTY FUNDS

For Article 8 mandates, or funds investing in third-party funds under Regulation (EU) 2019/2088, the promotion of environmental and social characteristics is achieved via third-party funds that support such characteristics. The same is true for the mandates or funds investing in third-party funds with sustainable investment objective as per the Regulation.

Companies in which investments are made by these third-party funds must apply good governance practices, and sustainable investments made by the funds may not cause significant harm to any environmental or social sustainable investment objective (i.e. by taking into account indicators for adverse impacts on sustainability factors), in accordance with Regulation 2019/2088. Verification of compliance with this requirement may vary from one third-party fund to another.

DPAM engages with the third-party fund manager to understand which principal adverse impacts are considered. This varies because third-party asset managers may take slightly different approaches. The answers received from the third-party fund managers following this engagement are cross-checked based on the European ESG Template (EET), whenever it is made available. Note that EET reporting is not mandatory and may not be available.

6. IDENTIFYING AND PRIORITISING PRINCIPLE ADVERSE INDICATORS FOR INDEXED FUNDS

For passive funds classified as Article 8 under Regulation (EU) 2019/2088, the PAIs are integrated into the different stages of the construction of the index which funds replicate passively, as per the methodology of the index. DPAM has voluntarily decided to include indexed funds in the scope of the Mahoux law. This law prohibits the direct and indirect financing of controversial weapons in Belgium. Therefore, DPAM does not finance this type of weapons, including in its passive funds' strategies.

7. DATA SOURCES USED

Below we provide an overview of the different PAIs again, with the main data sources used to assess and report on the PAIs:

Indicators applicable to investments in investee companies

ADVERSE SUSTAINABILITY INDICATOR	MAIN DATA SOURCE
Greenhouse gas emissions	
1. GHG emissions	S&P Trucost
2. Carbon footprint	S&P Trucost
3. GHG intensity of investee companies	S&P Trucost

ADVERSE SUSTAINABILITY INDICATOR	MAIN DATA SOURCE
4. Exposure to companies active in the fossil fuel sector	S&P Trucost
5. Share of non-renewable energy consumption and production	S&P Trucost
6. Energy consumption intensity per high impact climate sector	S&P Trucost
Biodiversity	
7. Activities negatively affecting biodiversity-sensitive areas	Sustainalytics
Water	
8. Emissions to water	Sustainalytics
Waste	
9. Hazardous waste and radioactive waste ratio	Sustainalytics
Social and employee matters	
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Sustainalytics & MSCI ESG[11]
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Sustainalytics
12. Unadjusted gender pay gap	Sustainalytics
13. Board gender diversity	Sustainalytics
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Sustainalytics

Indicators applicable to investments in sovereigns and supranationals

ADVERSE SUSTAINABILITY INDICATOR	MAIN DATA SOURCE
Environmental	
15. GHG intensity	Sustainalytics
Environmental	

[11] For DPAM's range of indexing strategies, it relies only on the data from MSCI ESG to follow up on the indicator 10 "Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises".

ADVERSE SUSTAINABILITY INDICATOR	MAIN DATA SOURCE
16. Investee countries subject to social violations	Freedom House, the International Labour Organisation, the World Bank and Vision of humanity

IV. MANAGING **THE MARGIN OF ERROR**

Several limitations can be identified in relation to the DPAM methodology and the availability and quality of information on these topics. Analyses are largely based on qualitative and quantitative data provided by companies and other issuers, and therefore depend on the quality of this information. Although constantly improving, ESG reporting by companies and other issuers is still limited and heterogeneous. Furthermore, it remains difficult to anticipate the emergence of ESG controversies that could lead to an alteration in the quality of the ESG profile of the issuer being held in the portfolio. Finally, the limitations of the methodology also include those related to the use of non-financial rating agencies.

- The coverage rate of companies: following the re-balancing of certain reference universes, the rating agencies may stop covering a company;
- The bias towards large market capitalisations publishing a large amount of information and sustainability reports, as opposed to smaller market capitalisations with fewer marketing and reporting resources, the correlation between a company's extra-financial rating and its publication rate remains relatively high;
- The bias towards good ESG practices based on a western benchmark, as extra-financial rating agencies remain conditioned by a western view of environmental, social and good governance issues, to the detriment of companies from emerging economies, particularly Asian ones;
- The relevance of the criteria used for the evaluation: the use of relatively global standards does not always make it possible to capture the particularities and truly material issues of certain specific economic activities, to the disadvantage of companies that are highly specialised in one sector of activity.

The first way to manage these different limitations is the cornerstone of DPAM's active and research-driven investor role. Engaging or undertaking a dialogue with companies remains the best possible method to ensure the accuracy of the analyses of data providers. It also provides valuable input for DPAM's own research, such as scorecards or interpreting raw data from a company or sovereign issuer's reporting. It also enables DPAM to convey its main expectations as a sustainable investor. Next to engaging, we rely on different external data sources, such as CDP and the World Benchmarking Alliance, or specialised broker research, which can be used as input to carry out coherence checks with data from its providers.

1. MANAGING THE MARGIN OF ERROR FOR CORPORATES

Despite these efforts, there is still a margin of error on the data of the principal adverse impacts. Working with data providers may always lead to inaccuracies, which DPAM tries to remedy through different means. These remediation steps include, but are not limited to:

- One key adverse impact is the exposure to companies facing violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, which aim to uphold four fundamental principles: defend human rights, defend labour rights, prevent corruption and protect the environment. ESG rating agencies assess companies' compliance with these principles based on specific criteria derived from the 10 principles of the UN Global Compact. The analysis identifies companies that have faced incidents and severe controversies resulting in violations of these fundamental rights principles. The severity of the controversies and incidents is evaluated based on national and international legislation, but also considers international ESG standards, such as the recommendations of the OECD for multinational companies, the conventions of the International Labour organization, the Universal Declaration of Human Rights, and others. DPAM uses two data providers to assess a company's compliance with these global standards, and if one or both providers flag a company as non-compliant, the company is excluded from the fund's eligible universe. This conservative approach ensures that no company with a potential breach of these standards is part of the Sub-fund, except for indexed strategies where DPAM relies on the index provider only.

- DPAM is aware of the same limitations when it comes to the controversies review and ensuring that the Sub-fund is facing no major controversies of maximum severity on environmental or social issues. For this reason, except for indexed strategies, DPAM systematically excludes companies facing the highest controversy level based on reported data by its data provider, Sustainalytics. All companies facing a controversy level 5 (on a scale from 0 to 5, 0 being the lowest controversy level) are excluded from the Sub-fund's eligible universe. Moreover, each month, the Responsible Investment Steering Group meets to discuss the controversy level 3 with a negative outlook and level 4 of a distinct industry. Based on thorough analyses of these controversies, it is possible to either keep a name eligible, embark on an official engagement process, or exclude a name due to a controversy. DPAM believes that this prudent approach prevents it from having any exposure to companies facing major controversies or prone to face major controversies in the future.

- Data pertaining to greenhouse gas (GHG) emissions is gathered through S&P Trucost, which uses partially modelled and partially reported data. To ensure the accuracy of this data, DPAM leverages its Task Force on Climate-Related Financial Disclosures (TCFD) analyses to pinpoint potential incongruencies. Moreover, a sanity check is conducted for the top five GHG emitters and the five largest contributors to the GHG intensity of a Sub-fund, specifically for the publication of quarterly sustainability reports. In case of incorrect data, DPAM contacts its data provider to rectify the mistake.

2. MANAGING THE MARGIN OF ERROR FOR SOVEREIGNS

When it comes to the data used to enumerate the PAI for sovereign investments, it is used to feed in the country sustainability model developed by DPAM. The different pillars of this model are fed with a wide set of external data. By using these different data sources, DPAM can identify potential contrary data and, if needed, correct these.

3. MANAGING THE MARGIN OF ERROR FOR THIRD PARTY FUNDS

The selection methodology of third-party fund managers is reviewed at least once a year to ensure that it aligns with the environmental and social characteristics that the mandate or sub-fund aims to promote, and/or the sustainable investment objectives of the mandate or sub-fund. At the third-party fund level, the SFDR classification and its linked methodology are used as key information to assess sustainability risks at the fund level.

DPAM engages in regular dialogue with third-party fund managers. If a fund no longer has the classification (Article 8 or Article 9 according to Regulation 2019/2088) as declared in its prospectus or information document, DPAM will sell the investment in the fund in the interest of the sub-fund's shareholders/clients. If such a sale is necessary to comply with the promoted environmental and social characteristics and/or sustainable investment objective at the overall level of the sub-fund or client portfolio, it takes place as soon as possible. If keeping a third-party fund in the portfolio compromises the minimum threshold for promoting environmental, social, or sustainable investments, it must be excluded from the sub-fund or client portfolio.

V. **ENGAGEMENT** POLICIES

1. PROXY VOTING

As a shareholder, DPAM has the right to vote in shareholder meetings for our portfolio companies. The voting policy adopted by DPAM aims to defend the values and principles with regard to corporate governance that DPAM advocates.

The principles listed below define the fundamental values that guide the votes issued during general meetings of listed companies (excluding investment funds) in which DPAM Funds invest. These principles aim to exercise voting rights in a clear manner and in the best interest of shareholders based on established corporate governance principles. Among these principles are the OECD, the ICGN (International Corporate Governance Network), the United Nations Principles for Responsible Investment (September 2001), the applicable national laws derived from European directives and regulations, the Glass Lewis policies in its role as a specialised firm as DPAM advisor, the TCFD (Taskforce on Climate-related Financial Disclosures) guidelines and recommendations, and other voting principles applicable to asset managers, provided that they do not contravene sovereign decisions taken by the DPAM operational body.

They consist of four elements:

1. protection of shareholders;
2. sound corporate governance;
3. transparency and integrity of information; and
4. social and environmental and good governance responsibility

The principles are reviewed annually to address legal and regulatory changes, as well as international best practices in corporate governance. The Voting Advisory Board is responsible for the strategic framework of responsible ownership applied to all DPAM Funds and discretionary portfolio management mandates whose clients have expressly delegated the exercise of their voting rights to DPAM.

These principles also include several principal adverse impacts, relating to greenhouse gas emissions and social and employee matters, including board gender diversity and executive remuneration.

2. CORPORATE ENGAGEMENT

Given the multiple challenges and interactions companies are exposed to, a cautious and open-minded attitude is required, which is why DPAM has adopted an approach based on dialogue and collaboration with investees. This collaborative process takes place both within DPAM and externally.

DPAM adopted an engagement program in the second half of 2014. Since then, it has leveraged on experience, knowledge and sharing cooperation to adopt the latest engagement program publicly disclosed on its website.

In this policy, DPAM explains how it implements its two main engagement objectives namely:

- Engaging for improving the negative externalities of financed issuers
- Engaging for defending values and convictions on E, S and G factors.

The whole engagement process, including the escalation process, is described in the engagement policy. This policy can have implications for all portfolios managed by DPAM. The scope of the issuers with whom DPAM engages is defined in the policy, particularly by the themes identified as priorities. The issuers are selected because they have either been identified by the controversy review by the Responsible Investment Steering Group, or they are within the scope of the thematic priorities DPAM has defined on E, S & G aspects to defend its values and convictions. These values and convictions are described for the different E, S, and G aspects and include, among other elements, Paris Alignment and related Net Zero target setting, human rights in value chains, or board oversight of ESG topics.

As described in the data source section, each month, the Responsible Investment Steering Group gathers to discuss the controversy level 3 with a negative outlook and level 4 of a distinct industry. Based on thorough analyses of these controversies, it is possible to either keep a name eligible, embark on an official engagement process, or exclude a name due to a controversy.

In case of eligibility with engagement, engagement letters are written in collaboration with portfolio managers, buy-side analysts, and RI specialists to better understand the sustainable profile of companies. Generally, this engagement will be conducted as an individual initiative led by DPAM. If collaborative initiatives regarding the issuer and the controversy are already occurring, DPAM will decide to join the collaborative initiative for greater effectiveness.

The engagement will traditionally begin with a first contact with the issuer to raise questions and concerns and preliminary list expectations and objectives in terms of progress. The issuer is invited to acknowledge these concerns and come back with answers and guidance on what could be the expectations and objectives.

For formal engagements, divestment remains the last resort. DPAM aims at a constructive dialogue when engaging with companies and will, therefore, first use all possible means to improve a non-constructive dialogue, notably: sending reminders with an increasingly assertive tone, seeking additional investor support, raising the issue to board representatives and/or Chairman, using proxy voting if relevant, (co-)submitting or supporting shareholder resolution, sharing results and engagement with peers, etc. DPAM aims to give itself six months, counting from the date of initial engagement, to reach a conclusion on an issuer. Within this period of 6 months, DPAM will send questions to the issuer, send several reminders (in case of no answer), analyse the answers from the issuer, possibly ask complementary questions, make a holistic analysis of the situation, assess escalation steps such as the ones mentioned above, and eventually decide whether to remain invested, to continue the escalation, to divest, and/or to put the issuer on the exclusion list.

In addition to the formal engagement, ESG considerations are also discussed internally between the responsible investment specialists and the investment professionals to challenge financial and extra financial findings and recommendations. This discussion increases the awareness of investment professionals regarding ESG risks and opportunities and enables a better understanding of sectorial challenges at financial and non-financial levels. It also makes it possible to challenge, where applicable, the external information and assessment of ESG ratings for companies that DPAM receives from specialized agencies.

Finally, engagement is also an efficient way to correct backward-looking ESG data and research. It enables dialogues focusing on the future and on the practices the issuers are adopting to be aligned with the required transition. This forward-looking perspective is essential to ensure that future company practices are aligned with our current expectations and requirements.

Bondholders do not benefit from the same position or legal rights as equity holders, as they do not have the same voting rights. Therefore engaging with issuers is particularly important for DPAM’s fixed-income team. First, sustainability risks and opportunities are integrated at the inception of the research process, and the ESG profile of the issuer is taken into account by DPAM’s credit analysts and fixed-income portfolio managers. Second, all the engaged dialogues to obtain more information on specific ESG issues or on Sustainable Development Goal (SDG)’s outcome of products and services are key information for all investment professionals, being bond or equity holders. This engagement should also be seen from the angle of sovereign bonds. The results of DPAM’s sustainability model are the starting point of the systematic and formal engagement process we have started as sovereign bondholders.

3. SOVEREIGN ENGAGEMENT

Given the multiple challenges and interactions countries are exposed to, a cautious and open-minded attitude is required, which is why DPAM has adopted an approach including a dialogue with investees. Nevertheless, dialoguing with countries is different from dialoguing with corporates.

DPAM has adopted a formal and systematic engagement program with the countries since 2022. Since then, it has leveraged on experience, knowledge and sharing cooperation to adopt the latest engagement program publicly disclosed on its website.

The bond holders do not benefit from the same equity holders' position or legal rights as they do not have same voting rights. This is the reason why engaging with the issuers is particularly important for DPAM's fixed income team. The sustainability risks and opportunities are integrated at inception of the research process, the ESG profile of the issuer is taken into account by fixed income portfolio managers.

Country engagement is based on a two-step approach:

1. Creation of a Country Sustainability Scorecard (CSS), outlining the sustainability score of the country versus its peers regarding governance, environmental and social dimensions. The CSS is used to contact the different issuers (national treasury, debt management office or equivalent) to foster a dialogue about their strengths and weaknesses.
2. Increase awareness regarding use of proceeds bonds to highlight and exchange how specific use of proceeds bonds could improve some sustainability areas.

4. THIRD-PARTY FUND ENGAGEMENT

DPAM engages in regular dialogue with the managers of third-party funds. During these engagements the fund managers' commitment to the promotion of environment and/or social characteristics and/or sustainable investments, and consideration of the principal adverse indicators is controlled. Throughout these engagements, the sub-fund's adherence to the promotion of social and environmental characteristic or sustainable investments is monitored and adequate escalation steps are taken in case these no longer meet DPAM's standards. These steps are detailed above.

5. INDEXED FUNDS ENGAGEMENT

The indexing strategies are in the scope of the DPAM Engagement Policy and its defined escalation process. As far as indexing strategies are concerned, the divestment decision should be applied provided it does not trigger an active breach of the indexed fund's investment policy, objective, tracking constraint and replication methodology as stipulated in the fund's regulatory documents/prospectus.

VI. **REFERENCE** TO INTERNATIONAL STANDARDS

The article 8, 8+ and 9 investment funds and mandates that follow the DPAM approach apply an investment restriction based on the non-compliance to the global standards. These funds/mandates do not invest in companies in breach with the 10 Global Compact principles of the UN Global Compact principles, ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties. DPAM decided to use a conservative approach to check the adherence of investee companies to these standards. In case a non-compliant status of a company is observed by either data providers Sustainalytics or MSCI ESG, the company is put on the blacklist. Indexed funds, however, do not follow this approach as they follow the approach of the index provider in this regard.

Furthermore, DPAM is a signatory of the UN-supported Principles for Responsible Investment (PRI). The PRI is the world's leading proponent of responsible investment. The PRI helps its international network of investor signatories to understand the investment implications of Environmental, Social and Governance (ESG) factors, and to integrate those factors into their decisions related to investment and active ownership.

DPAM is using forward looking climate scenarios in different complementary ways:

- DPAM is a signatory of the Net Zero Asset Management (NZAM) initiative. In this context, it supports the goal of net zero greenhouse gas emissions by 2050 and aligned with the Paris Agreement or sooner and supports investing aligned with net zero emissions. With regards to DPAM active funds, in any compartments art8, 8bis and 9, 75% of the portfolio constituents of carbon intensive sectors need to have Science Based Targets or emissions aligned with a 1.5°C scenario by 2030. Moreover, any active compartments art8, 8bis and 9, 50% of the portfolio constituents of non-carbon intensive sectors need to have Science Bade Targets or emissions aligned with a 1.5°C scenario by 2030. The data to assess this is directly derived from the Science Based Target initiative (SBTi) website.
- Earnings at carbon risk – transition risks are quite broad, ranging from regulatory risks to market or technology risks and could already include notably the fossil fuels risks. As a proxy to assess transition risks in a standardized manner, it was agreed to monitor carbon pricing risk exposure via the 'Carbon cost as % of EBITDA' according to three scenarios, provided by an external data provider. It is however agreed to target the more stringent scenario, due to recent market evolutions notably under the EU ETS.
- Adjusted credit ratings – DPAM signed an agreement with S&P Oliver Wyman to acquire a climate adjusted credit rating data tool, which allows for climate scenario analysis and credit analytics modelling. These ratings are integrated in the fundamental credit analysis and included in the TCFD assessments of DPAM.

VII. HISTORICAL **COMPARISON**

Not yet applicable[12]

[12] https://www.esma.europa.eu/sites/default/files/library/jc_2021_06_joint_esas_supervisory_statement_-_sfdr.pdf (page 3)

VIII. STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT ADVICE ON SUSTAINABILITY FACTORS

For investment advisory services, DPAM takes into account a client's sustainability preference as to whether and, if so, to what extent, the consideration of principal adverse impacts on sustainability factors shall be integrated into his, her, its investment in investment funds.

DPAM does not consider any adverse impacts of investment decisions on sustainability factors in its investment advice on any other financial instruments than investment funds. This is because no established accounting methodologies are available for these financial instruments.

PROCESS USED BY DPAM TO SELECT THE FUNDS DPAM ADVISE ON

Where an advisory client has asked for DPAM to integrate principal adverse impacts on sustainability factors into its advice on investment in investment funds, the following process shall apply:

1. USE OF INFORMATION PUBLISHED BY FINANCIAL MARKET PARTICIPANTS PURSUANT TO SFDR

For advisory mandates with the sustainable preference to consider PAIs, DPAM will:

- where advising a client on an investment in a fund DPAM manages, rely on the PAI consideration as disclosed in the SFDR pre-contractual disclosure and reporting of such DPAM fund;
- where advising a client on an investment in a fund managed by a third-party manager, DPAM will pay attention to various sustainability criteria when making the fund selection, including the quality and track record of the third-party fund manager, its commitment to sustainable investments, notably its policies and rules regarding sustainability factors and risks and compliance with the do not significantly harm principle. The different policies regarding ESG integration, climate risk and engagement of the third-part fund's manager are reviewed to get a good understanding of whether and how it systematically integrates sustainability risks. Finally, at the product level, the SFDR classification and the linked methodology as disclosed in the SFDR pre-contractual documentation and the European ESG Template (EET) (where available) are also used as key information to assess the sustainability risks globally and at the product level. DPAM will engage with the third-party manager to have a view on which PAI's are considered. But this may vary from one fund to another because third-party fund managers do take different approaches.

2. RANKING AND SELECTION OF FUNDS BASED ON THE INDICATORS LISTED IN TABLE 1 OF ANNEX I AND ANY ADDITIONAL INDICATORS AND, WHERE APPLICABLE, A DESCRIPTION OF THE RANKING AND SELECTION METHODOLOGY USED

When advising on funds it manages, DPAM selects funds based on the indicators listed in its Statement on Principle Adverse Impacts of Investment Decisions, to the extent these PAIs are considered at product level in line with the SFDR pre-contractual disclosure and reporting for these funds.

When advising on funds managed by third-party fund managers, DPAM engages with third-party fund managers, based on SFDR pre-contractual disclosures and the European ESG Template (EET) disclosures, where available.

DPAM has not set any ranking methodology.

3. ANY CRITERIA OR THRESHOLDS BASED ON THE PRINCIPAL ADVERSE IMPACTS LISTED IN TABLE 1 OF ANNEX I THAT ARE USED TO SELECT, OR ADVISE ON, FUNDS

Should a client set some specific criteria or thresholds for PAI consideration for investment advisory services in relation to funds, DPAM will apply the criteria or thresholds requested by the client.

Otherwise, DPAM has not set any criteria or thresholds based on the PAIs.

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DISCLAIMER

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