January 2022

Precontractual disclosures pursuant to SFDR and the Taxonomy Regulation for institutional clients

Legal and regulatory context

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 ("**SFDR**") entered into force on 10 March 2021. The SFDR is the first step of a larger legal framework to be implemented in the European Union in respect of the financial sector to address key aspects of the transition towards a more sustainable economy. SFDR seeks to ensure a higher transparency towards investors with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investments in the activity of financial market participants ("**FMP**") and financial advisers ("**FA**"). Transparency is namely achieved by requiring these market players, including management companies such as Degroof Petercam Asset Management ("**DPAM**"), to make pre-contractual and ongoing disclosures to end investors, in respect of financial products they make available to them.

SFDR is completed by the Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (the "**Taxonomy Regulation**"). The Taxonomy Regulation requires FMP to make additional disclosures to end-investors in relation to products investing in investments with sustainable objectives. The Taxonomy Regulation covers currently only environmental objectives. It entered into force on 1 January 2022 in respect of two environmental objectives, namely climate change adaptation and climate change mitigation

Portfolio management as defined in Directive 2014/65/EU (in point (8) of Article 4(1) of MiFID Directive) qualifies as a financial product in the meaning of SFDR and the Taxonomy Regulation. DPAM, as FMP, is therefore subject to the transparency obligations imposed by SFDR and Taxonomy Regulation when it provides portfolio management services in respect of the managed portfolio(s) of a client (section A).

DPAM is additionally subject to disclosure obligations towards its clients as FA when it provides investment advice to clients in respect of financial products, regardless of whether it is ad hoc or structured investment advice (section B).

Please refer to the relevant section(s) depending on the services provided to you by DPAM.

A. Clients receiving discretionary portfolio management services from DPAM

This section is relevant for all clients with whom DPAM has entered into a portfolio management agreement, whereby DPAM provides the client portfolio management services. In this context, DPAM is required in its capacity as FMP to give its clients descriptions of the following items:

1. Classification of the client's managed portfolio according to the financial products typology established by SFDR (section 1);

2. Sustainability-related disclosures on the managed portfolio (section 2), which will include (a) information on sustainability risks integration and (b) information on how environmental and social characteristics are met by Article 8 Products (as defined below); and

3. Information regarding the Taxonomy Regulation.

1. Classification of your managed portfolio(s) by DPAM in accordance with SFDR

SFDR distinguishes between three types of financial products:

1) financial products which promote, among other characteristics, environmental and/or social characteristics in accordance with article 8 SFDR ("**Article 8 Products**");

2) financial products with sustainable investment as their objective in accordance with article 9 SFDR ("**Article 9 Products**");

3) other financial products, which do not qualify as either of the financial products above ("**Other Products**").

DPAM has developed an internal methodology to categorize the managed portfolio(s) of each client according to the categories established by SFDR listed above. Accordingly, all managed portfolios managed by DPAM are categorized either as Article 8 Product or Other Product.

According to DPAM's internal methodology, managed portfolios are categorized on the basis of the following criteria:

- *Article 8 Products*: managed portfolios which invest at least 50% of the assets under management in line with ESG guidelines defined in the portfolio management agreement.

- *Other Products*: managed portfolios for which DPAM and the client have not agreed on any ESG investment guidelines in the portfolio management agreement.

At this stage, DPAM has not classified any managed portfolio as an Article 9 Product.

The categorization of your managed portfolio by DPAM has been communicated to you in writing by way of a letter and/or is indicated in the portfolio management agreement agreed between you and DPAM (if such agreement has been entered into, amended or repapered after March 2021). If you have any question on the categorization of your managed portfolio, please contact your relationship manager at DPAM.

Please note that, should you qualify as financial market participant under SFDR (for example if you are an insurance company or a pension fund based in the EU), you have an independent obligation to classify the financial product you make available to your own clients/beneficiaries pursuant to such regulation. This section relates to the classification obligation of DPAM as FMP. DPAM does not bear responsibility for your obligations as FMP, as the case may be.

You may refer to section 5.2.2 (Transparency obligations - Financial products classification and sustainability-related information) of the MiFID brochure available on attached for an overview of DPAM's classification methodology and to our Sustainable and Responsible Investments Policy available on www.dpamfunds.com for detailed descriptions of Article 8 Products and Article 9 Products.

2. Sustainability-related disclosures

DPAM must provide its clients with pre-contractual sustainability-related disclosures. The scope of the information depends on the categorization of the client's managed portfolio. Firstly, DPAM must inform all clients of the manner in which sustainability risks are integrated into investment decisions, and the results of the assessment of the likely impacts of sustainability risks on the returns of the managed portfolio (section a). Secondly, regarding clients whose managed portfolio qualifies as an Article 8 Product, DPAM must in addition provide information on how the environmental and/or social characteristics promoted by their managed portfolio are met (section b).

a. Sustainability risks integration and likely impact on clients' managed portfolios

As per SFDR, a sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

DPAM integrates sustainability risks into its investment decisions by applying binding investment guidelines regarding environmental, social and/or governance ("**ESG**") aspects. Consequently, DPAM links the level of sustainability risk with the extent to which ESG investment guidelines are applied to a financial product. This means that if there are no binding ESG investment guidelines applicable to the management a managed portfolio pursuant to the relevant portfolio management agreement, the sustainability risk will be higher, as DPAM will not conduct an ESG analysis of potential investments. If on the other hand the portfolio management agreement includes extensive binding ESG investment guidelines, the sustainability risk is considered to be lower. Consequently, the likely impact of sustainability risks is assessed by DPAM to be the following:

- Article 9 Products: Low (classification not used for the time being – please refer to section 1)
- Article 8 Products: Medium
- Others Products: High

Depending on the classification of your managed portfolio(s), please refer to the above gradation to determine the likely impact of sustainability risks on your managed portfolio(s).

When implementing the ESG investment guidelines, the manner in which DPAM conducts the sustainability risk analysis depends on the type of asset in which the managed portfolio is invested. DPAM's Sustainable and Responsible Investments policy (the "**SRI Policy**") describes in further details how ESG aspects and the sustainability risks are integrated in the analysis of the investment per asset type. Please refer to the SRI Policy available on www.dpam-funds.com, and in particular to section V "*DPAM is a committed investor to sustainable finances*" – "*Sustainability risk integration*".

b. Additional disclosures required regarding Article 8 Products

If your managed portfolio qualifies as an Article 8 Product, DPAM is required to provide you with information on how the environmental and/or social characteristics promoted by your managed portfolio are met. This information depends on the types of assets in which your managed portfolio invests, ie: equities, corporate bonds, government bonds, funds, and the related applicable investment guidelines. You may find the investment guidelines applicable to your portfolio in the portfolio management agreement you agreed/have entered into with DPAM. The table below provides more detailed explanation on the ESG investment guidelines per asset type to explain how your portfolio will meet the E/S characteristics.

If you have agreed with DPAM specific sustainability-related investment guidelines (eg: application of blacklist, specific thresholds or sectors), please contact your relationship manager at DPAM regarding the disclosures on how your portfolio will meet the E/S characteristics.

Investment guideline	Binding or non-binding	Article 8 Products Sustainability indicators	
		Equities/corporate bonds	Government bonds
1. Compliance of the portfolio with the Global Standards	Binding	Managed portfolios do not invest in companies that do not comply with the Global Standards at the time the position is purchased. In the event of an issuer being downgraded to non-compliant status during the holding period, DPAM will sell the relevant investment. The Global Standards include the founding principles of the Global Compact (human rights, labour law, protection of the environment, fight against corruption) and the UN Guiding Principles, the ILO instruments, the OECD Multinational Enterprises (MNE) Guidelines and the underlying conventions and treaties.	Exclusion filters are applied based on required democratic minimums: countries considered "unfree" according to the NGO Freedom House and "authoritarian regimes" according to the Democracy Index published by the Economist Intelligence Unit are excluded from the universe eligible for investment at the time the position is purchased. In the event of an issuer being downgraded to "unfree" and "authoritarian" status during the holding period, DPAM will sell the relevant investment in the interest of the client. This exclusion and the underlying methodology are detailed in DPAM's Sustainable and Responsible Investment Policy (section "Integration in Sovereign Bonds") which is available at www.dpamfunds.com (Sustainable & Responsible Investment policy).
2.Exclusion of companies involved in controversial activities	Binding	DPAM excludes companies whose activity consists of the manufacture, use or possession of anti-personnel mines, cluster munitions, depleted uranium munitions and armour, chemical or biological weapons. DPAM also applies binding investment restrictions to the securities of companies whose business is the production or distribution of tobacco or raw materials and equipment necessary for the production of tobacco, the extraction of thermal coal, or the generation of electricity from coal. These exclusions apply both at the time of purchase of a position and during the holding of the position in the portfolio. Details of the exclusions are available in DPAM's controversial activities policy (section on "conventional" strategies available at www.dpamfunds.com (Controversial Activities Policy).	N/A
3.Exclusion of companies facing extremely serious ESG controversies	Binding	Companies facing extremely serious controversies are not eligible for investment at the time the position is purchased. In the event of an issuer being exposed to an extremely serious controversy during the holding period, the manager will sell the relevant investment.	N/A

4.ESG integration	Non-binding	The "ESG integration" approach consists of a flexible consideration of the following criteria: a) The portfolio's exposure to ESG controversies, other than extremely serious controversies (which are formally excluded as indicated above), i.e. controversies relating to a company's environmental or social impact or governance practices. The managers are informed of the potential exposure to companies involved in ESG controversies, and are encouraged (but not formally constrained) to limit the investments in these companies as much as possible; b) The ESG rating of the portfolio based on the ESG ratings of the companies held, provided by nonfinancial rating agencies; c) The carbon intensity of the portfolio; d) Generally speaking, sector analysts take into account the most material and relevant ESG elements and information in their research and investment recommendations and managers integrate (without formal exclusions) these material elements and issues in their investment decisions. DPAM intends to maintain flexibility in the consideration of these four criteria outlined above. These criteria therefore do not lead to any formal or systematic exclusion (without prejudice to the exclusions arising from the controversial activities policy).	DPAM carries out an analysis and rating of the country's sustainability profile using a proprietary sustainability model. DPAM, through its country sustainability advisory board, has defined different pillars of sustainability and the related sustainability criteria. On the basis of sixty indicators from government databases, international government agencies, etc., countries are evaluated against each other and given a score between 0 and 100. More information is given in DPAM's Sustainable and Responsible Investment Policy (section "Integration in Sovereign Bonds") which is available at www.dpamfunds.com (Sustainable & Responsible Investment policy). DPAM intends to maintain flexibility in the consideration of these four criteria outlined above. These criteria therefore do not lead to any formal or systematic exclusion (without prejudice to the exclusions arising from the investment guideline 1 above).
5. Investments in managed and/or distributed by DPAM ("**DPAM Funds**") qualifying as Article 8 Product and/or Article 9 Products	Binding, except for investment guidelines 4*.	The DPAM Funds implement the investment guidelines 1,2, 3 and 4* described above to the extent they invest in equities and/or corporate bonds. You may refer to their prospectus available freely on www.dpamfunds.com.	The DPAM Funds implement the investment guidelines 1 and 4* to the extent they invest in government bonds. You may refer to their prospectus available freely on www.dpamfunds.com.

6. Investments in third-party funds	Binding	In order to be considered for the 50% ESG investments threshold, third-party funds must be categorized as an Article 8 Product or an Article 9 Product as per the fund's documents. DPAM will rely on the classification validated by the fund's regulator and reflected in its documentation, as indicated in DPAM's SRI Policy available on www.dpamfunds.com	In order to be considered for the 50% ESG investments threshold, third-party funds must be categorized as an Article 8 Product or an Article 9 Product as per the fund's documents. DPAM will rely on the classification validated by the fund's regulator and reflected in its documentation, as indicated in DPAM's SRI Policy available on www.dpamfunds.com.

3. Information regarding the Taxonomy Regulation

At the date of this publication, portfolios managed by DPAM do not take into account the EU criteria for environmentally sustainable economic activities.

B. Clients receiving investment advisory services from DPAM

This section is relevant to all clients to which DPAM has agreed to provide investment advice services, either structural investment advice or ad hoc investment advice. In its capacity as FA, DPAM is required to inform such clients regarding (1) the manner in which DPAM integrates sustainability risks into its investment advice and (2) the likely impact of sustainability risks on financial products recommended to clients.

1. Sustainability risks integration

A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

DPAM integrates such sustainability risks into its investment advice. The manner in which DPAM conducts the sustainability risk analysis depends on the type of asset to be recommended to the client. DPAM's Sustainable and Responsible Investments policy (the "**SRI Policy**") describes in further details how ESG aspects and the sustainability risks are integrated in the analysis of the investment per asset type. Please refer to the SRI Policy available on www.dpamfunds.com, and in particular to section V "*DPAM is a committed investor to sustainable finances*" – "*Sustainability risk integration*".

2. Likely impact of sustainability risks of a financial product

DPAM may recommend you to invest in its own funds or in third-party funds, both of which qualify as financial products in the meaning of SFDR. DPAM links the level of sustainability risk of such funds with the extent to which ESG factors and considerations are integrated in the management of such funds. The level of ESG factors integration is reflected in the classification of the relevant fund pursuant to SFDR. For an explanation on the categorization of financial products in SFDR, please refer to section A (1) above.

Consequently, the likely impact of sustainability risks on the return of funds recommended to you is assessed by DPAM to be the following:

- low for funds categorized as Article 9 Products;
- medium for funds categorized as Article 8 Products;
- high for other funds categorized as Other Products.

If DPAM recommends you to invest:

- in a fund managed and/or distributed by DPAM, the categorization of such fund will be indicated in its prospectus freely available on www.dpamfunds.com;
- in a third-party fund, the categorization of such fund as determined by its manager/management company should be indicated in the fund's documents (ex: prospectus, issuing document and/or KIID), of which DPAM will provide you a copy.

You may refer to section 5.2. (Transparency obligations) of the MiFID brochure and to our SRI Policy (section 4 “Sustainability Risks Integration”) available on www.dpamfunds.com for further details in that respect. If you have questions, please contact your relationship manager.

Degroof Petercam Asset Management ("**DPAM**") is the author of the present document. The information contained in this presentation (including any attachment or annex) is given to you by DPAM on the basis of its understanding of SFDR, the Taxonomy Regulation and the related laws and regulations and the guidance available in this respect as at the date of this presentation. The implementation of SFDR may evolve over time on the basis of guidance of regulatory bodies, market practice and the adoption of technical standards or delegated acts by authorities at EU level. Although this document and its content were prepared with due care, the information provided in this document (including the documents to which it refers) may become incorrect or incomplete further to clarifications and/or positions issued by the European authorities and/or the national regulators regarding the implementation and/or the interpretation of SFDR, the Taxonomy Regulation and any further implementing acts. DPAM does not guarantee the correctness, the completeness, reliability, timeliness, availability, merchantability, or fitness for a particular purpose.

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Decisions to invest in any DPAM fund can only be validly made on the basis of the Key Investor Information Document (KIID), the prospectus and the latest available annual and semi-annual reports. These documents can be obtained free of charge at the websites https://www.dpamfunds.com. We strongly advise the investor to carefully read these documents before executing a transaction.