

DISCLAIMER

The information contained in this mail and attachments (hereafter the ‘documents’) is provided for pure information purposes only.

This is a **marketing communication**. This document may not be distributed to retail investors and their use is **exclusively restricted to professional investors**.

DPAM is the author of the present document. Although this document and its content were prepared with due care and are based on sources and/or third-party data providers which DPAM deems reliable, they are provided ‘as is’ without any warranty of any kind, either express or implied. Neither DPAM nor its sources and third-party data providers guarantee the correctness, the completeness, reliability, timeliness, availability, merchantability, or fitness for a particular purpose.

This document is illustrative. The provided information herein must be considered as having a general nature and does not, under any circumstances, intend to be tailored to your personal situation. Its content does not represent investment advice, nor does it constitute an offer, solicitation, recommendation or invitation to buy, sell, subscribe to or execute any other transaction with financial instruments including but not limited to shares, bonds and units in collective investment undertakings. This document is not aimed to investors from a jurisdiction where such an offer, solicitation, recommendation or invitation would be illegal.

Neither does this document constitute independent or objective investment research or financial analysis or other form of general recommendation on transaction in financial instruments as referred to under Article 2, 2°, 5 of the law of 25 October 2016 relating to the access to the provision of investment services and the status and supervision of portfolio management companies and investment advisors. The information herein should thus not be considered as independent or objective investment research.

Investing incurs risks. Past performances do not guarantee future results. All opinions and financial estimates in this document are a reflection of the situation at issuance and are subject to amendments without notice. Changed market circumstance may render the opinions and statements in this document incorrect.

Degroof Petercam Asset Management SA/NV | rue Guimard 18, 1040 Brussels, Belgium | RPM/RPR Brussels | TVA BE 0886 223 276 |

© Degroof Petercam Asset Management SA/NV, 2022, all rights reserved. This document may not be reproduced, duplicated, disseminated, stored in an automated data file, disclosed, in whole or in part or distributed to other persons, in any form or by any means whatsoever, without the prior written consent of Degroof Petercam Asset Management (“DPAM”). The user of this document acknowledges and accepts that the content constitutes a copyrighted trade secret and/or proprietary information of substantial value. Having access to this document does not transfer the proprietary rights whatsoever nor does it transfer title and ownership rights. The information in this document, the rights therein and legal protections with respect thereto remain exclusively with DPAM.





OUTLOOK 2023

« *Down the Rabbit Hole* »

28.11.2022



SUSTAINABLE OUTLOOK 2023

Ophélie Mortier
Chief Sustainable Investment Officer

- Sustainable -

TOP DOWN TRENDS TO COPE WITH

1

REGULATION

2

**ENERGY CRISIS
& INFLATION**

3

**COP 27 & NET
ZERO RACE**

4

CHINA

5

GEOPOLITICS

6

**SOCIAL
CONSEQUENCES**



- Sustainable -

REGULATION WHAT TO EXPECT

FMP

EC response to ESA's Q/1 – definition of sustainable investments and consideration PAI	EFRAG 1 st set of sustainable standards released to the EC	SFDR Level 2 RTS into force	Draft RTS proposal from ESA's to EC regarding PAI indicators and decarbonization targets & actions (SFDR RTS level 2 v 2.0)	First PAI statement at entity level	Second PAI statement at entity level
Q4 22	23.11.22	1.1.23	28.4.23	30.6.23	30.6.24

CORP

Taxonomy KPI's alignment

1.1.24

CSRD for NFRD in scope corporates
1.1.25 for non NFRD scope

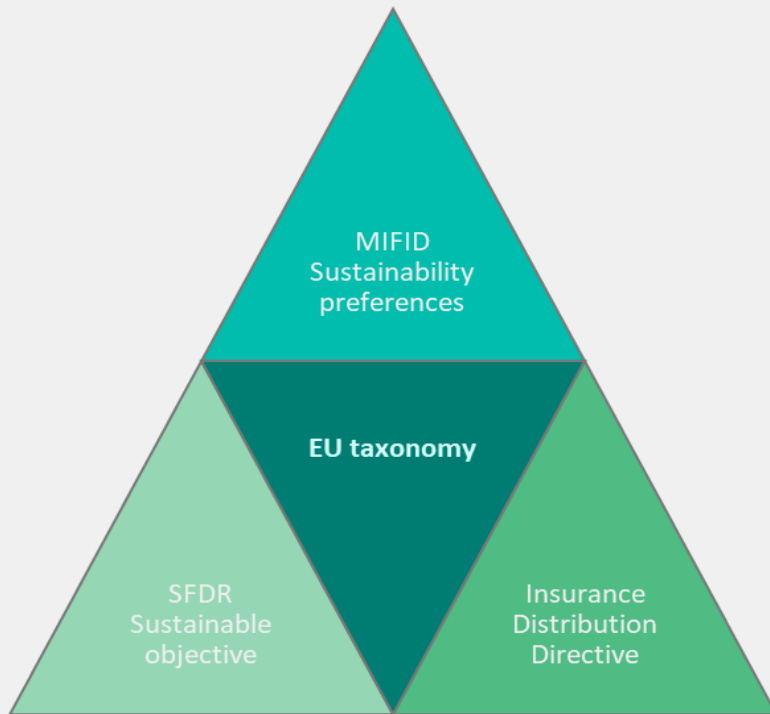
4 EU Taxonomy other objectives alignment

Source: EU agenda



- Sustainable -

HOW WILL REGULATION IMPACT ESG INVESTMENTS



Source: DPAM

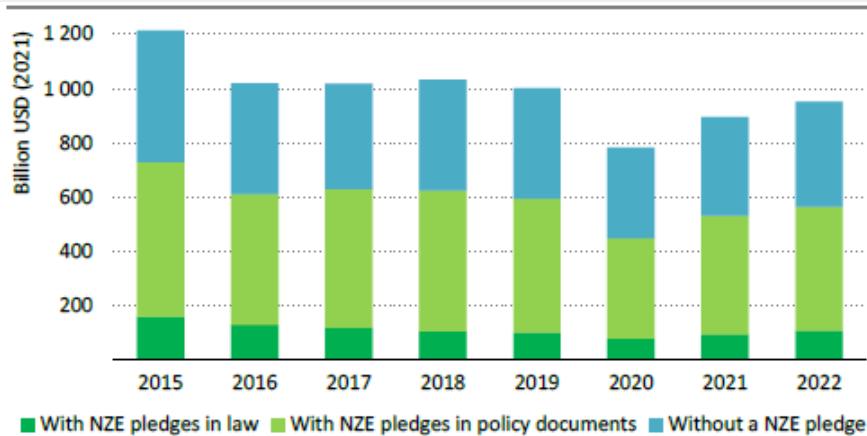
- Several **downgrades** – voluntary or not – of **article 9** products
- **Article 8** products – melting pot – To expect **minimum requirements** – TBD
- Green **washing** versus Green **bleaching**
- **Green premiums** – to be smoothed over time with better data, transition and enlarged EU taxonomy



- Sustainable -

ENERGY – FROM CLIMATE CHANGE TO ENERGY SECURITY

*Fossil fuel investment in countries with and without
net zero emissions pledges, 2015-22*



IEA, CC BY 4.0.

*There are, as yet, few signs that net zero emissions pledges are
correlated with lower global spending on fossil fuels*

Source: World Energy Outlook 2022 - IEA

Our **energy systems** are fragile and unsustainable

Climate policies and NZ commitments not responsible of the run up in energy prices

A faster clean energy transition would have helped to moderate the impact

Unprecedented **response from governments:**

- US Inflation Reduction Act
- EU fit for 55 and EU RePower EU
- Japan Green Transformation
- Korea energy mix
- China & India clean targets ambition



UNPRECEDENTED RESPONSE FROM GOVERNMENTS

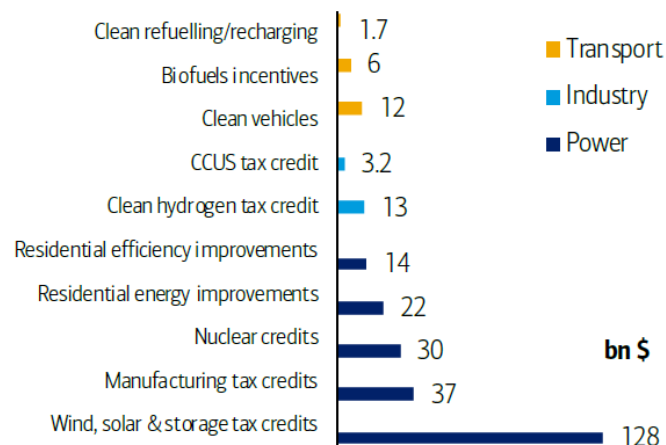
US INFLATION REDUCTION ACT

- Through the IRA, the federal government is expected to spend nearly **\$370bn** on energy and climate related items

EU REPOWER

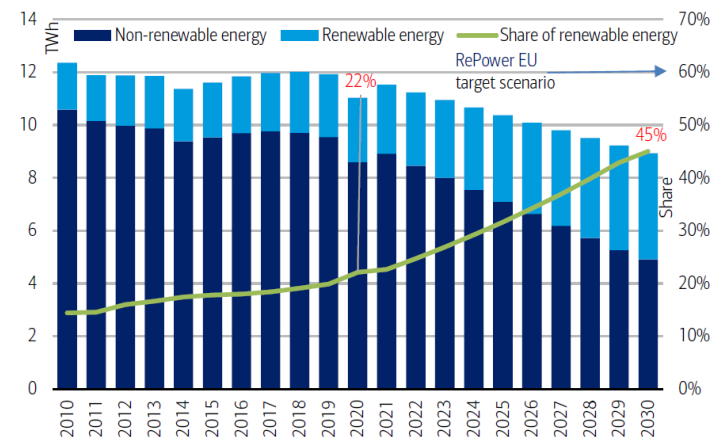
- Europe's RePowerEU targets doubling of renewable energy in total power consumed by 2030, through increasing projects and energy efficiency to reduce overall power demand

US inflation Reduction Act – Selecting transition items



Source: BoFa Global Research

Eu RePower combined with Fit 55



Source: BloombergNEF

BoFa GLOBAL RESEARCH

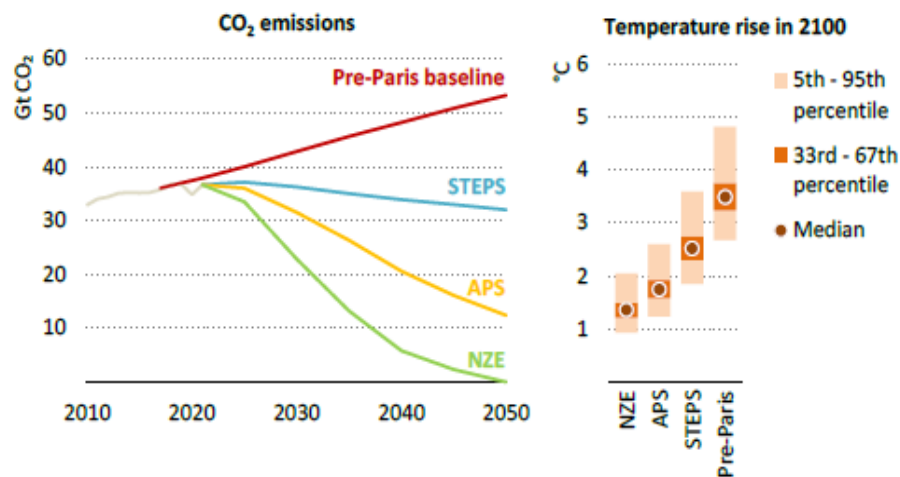
Source: BofA Global Research



- Sustainable -

ENERGY CRISIS AS AN ACCELERATOR OF ENERGY TRANSITION

Energy-related and process CO₂ emissions, 2010-2050 and temperature rise in 2100 by scenario



Source: World Energy Outlook 2022 - IEA

Rapid transition needs huge investments

- \$1.3 trn today in clean energy investments
- \$2 trn by 2030 (STEPS scenario)
- \$4 trn by 2030 (NZE scenario)

Today every **USD 1 spent globally** in fossil fuels is **USD 1.5 in clean energy technology**

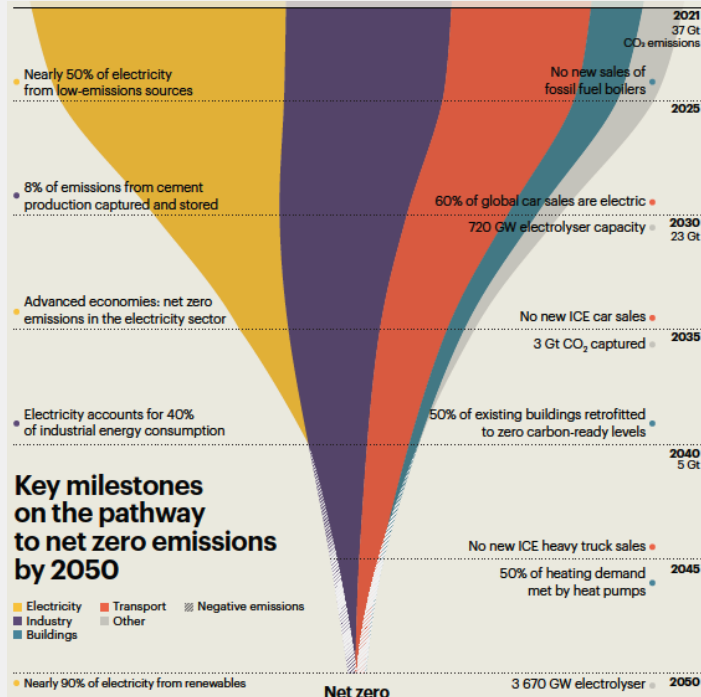
Alignment of **economic, climate & security priorities**

COP 27 took therefore place in a completely different context than previous COP

Nevertheless disappointing



NET ZERO RACE – DPAM MILESTONES



Source: World Energy Outlook 2022 - IEA

NET ZERO COMMITMENT

- **80%** of global population
- **91%** of global GDP (16% in 2019)

DPAM'S COMMITMENT

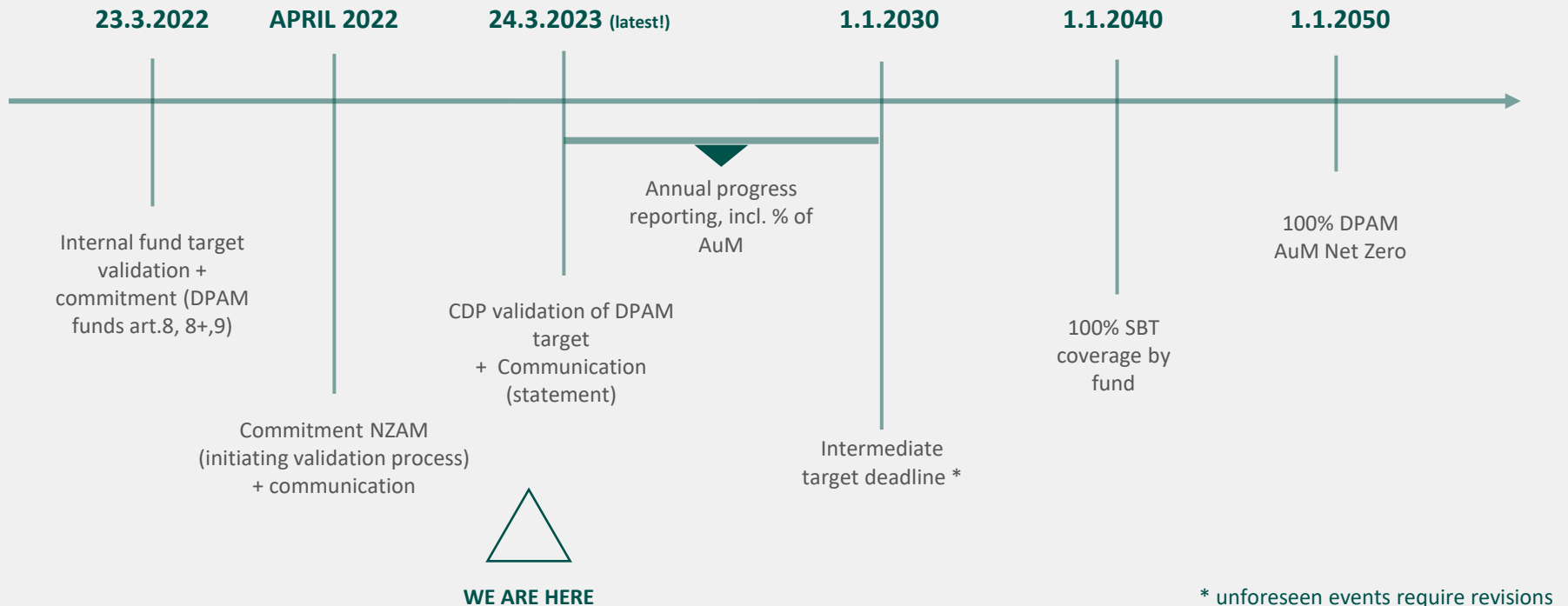
- **64% of total AUM** (art. 8, 8+ & 9 funds) excl. "other" funds; sovereign bonds and mandates
- **Baseline:** 2022
- **Target:** (forward looking) Sciences Based Target initiative (SBTi) portfolio specific targets but majority will target by 2030 75% (SBT or 1.5% aligned) to carbon intensive industries, in line with TCFD industry classification recommendations 50% (SBT or 1.5% aligned) for other industries



- Sustainable -

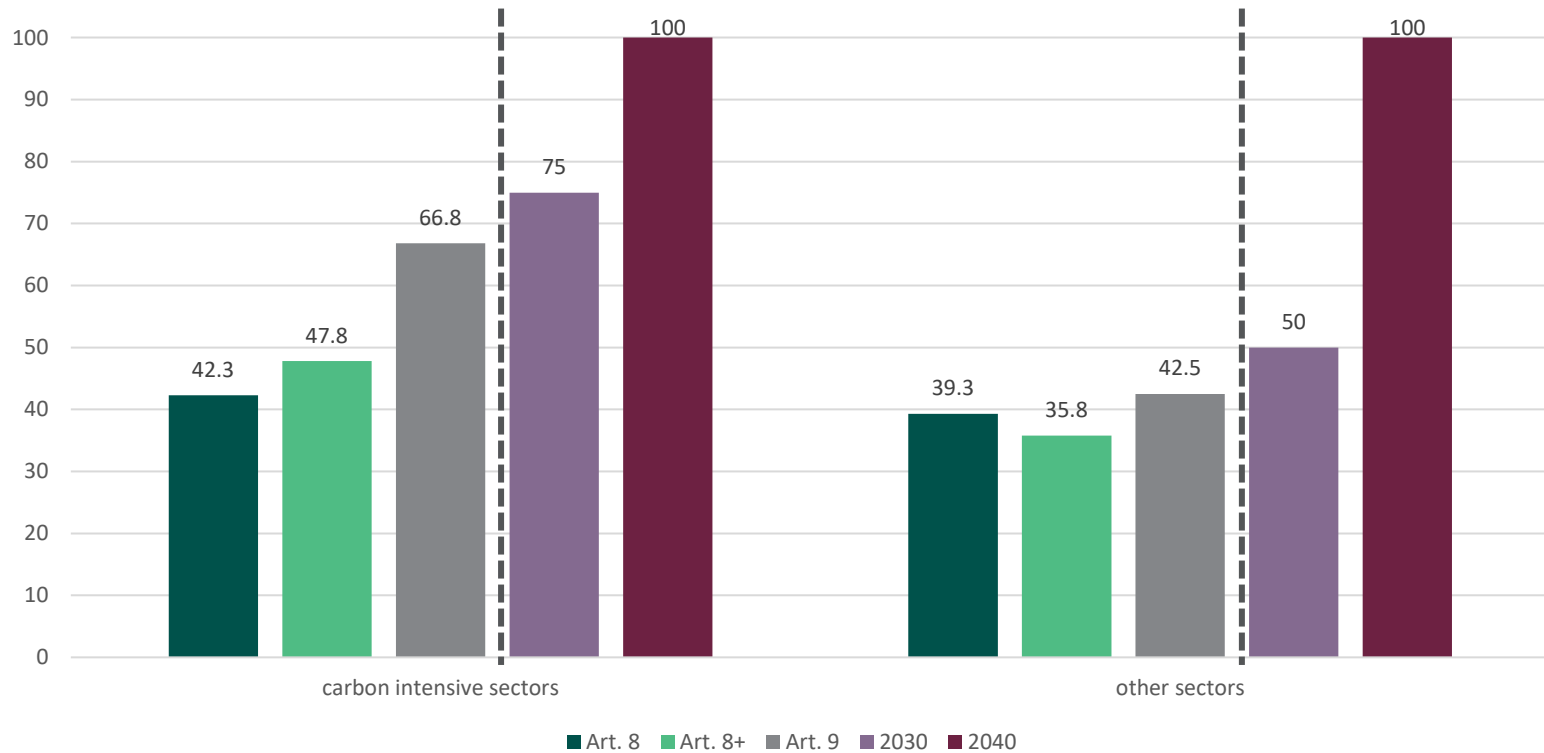
NET ZERO RACE

DPAM MILESTONES – TP VALIDATION



- Sustainable -

DPAM MILESTONES – WHERE WE ARE WHERE WE GO



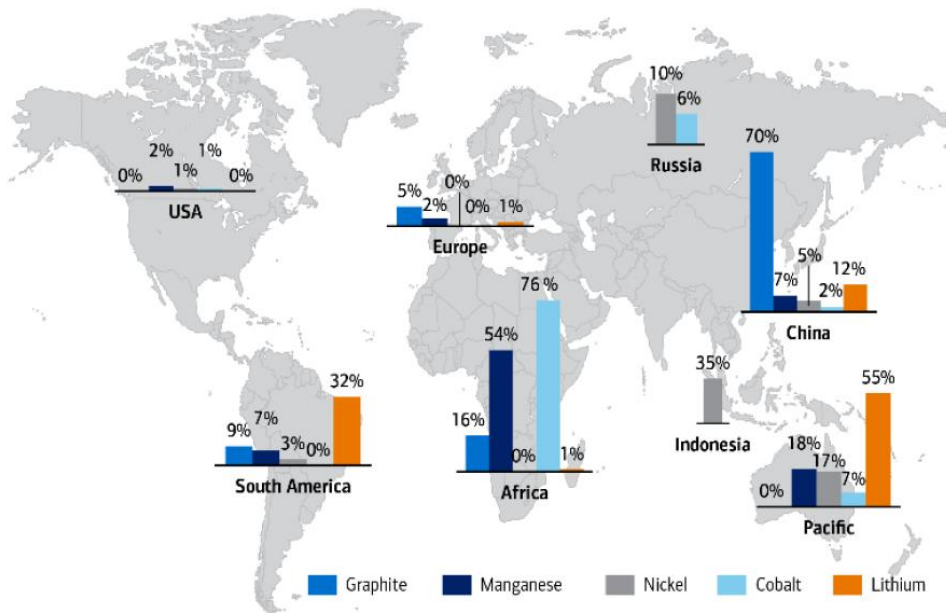
Source: DPAM, SBT – Q3 2022



- Sustainable -

TRANSITION ACCELERATION CHALLENGES

China has 70% share of graphite, Africa 76% of Cobalt, 87% of lithium from South America and the Pacific



01

The required **size of scale and commodities** bottleneck

02

Super Climate Wars and related geopolitical tensions whilst innovation cooperation

03

Fragmented **supply chains**

04

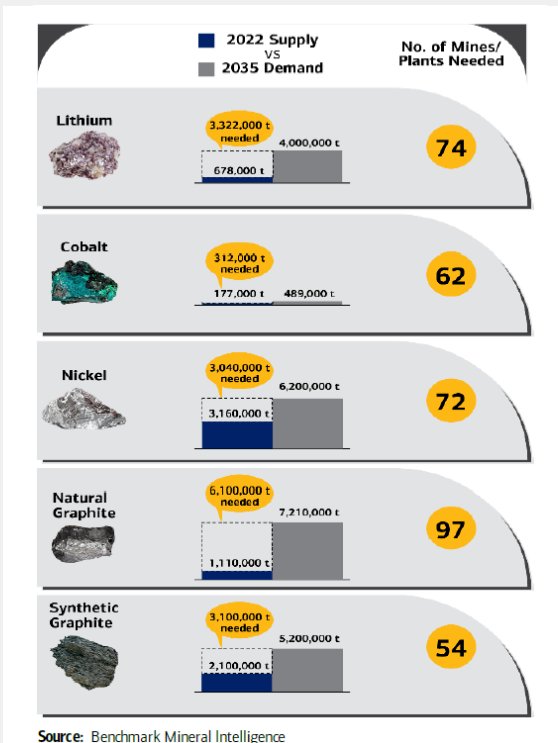
Deglobalisation

05

Shift in **trade partner**



COMMODITY BOTTLENECK



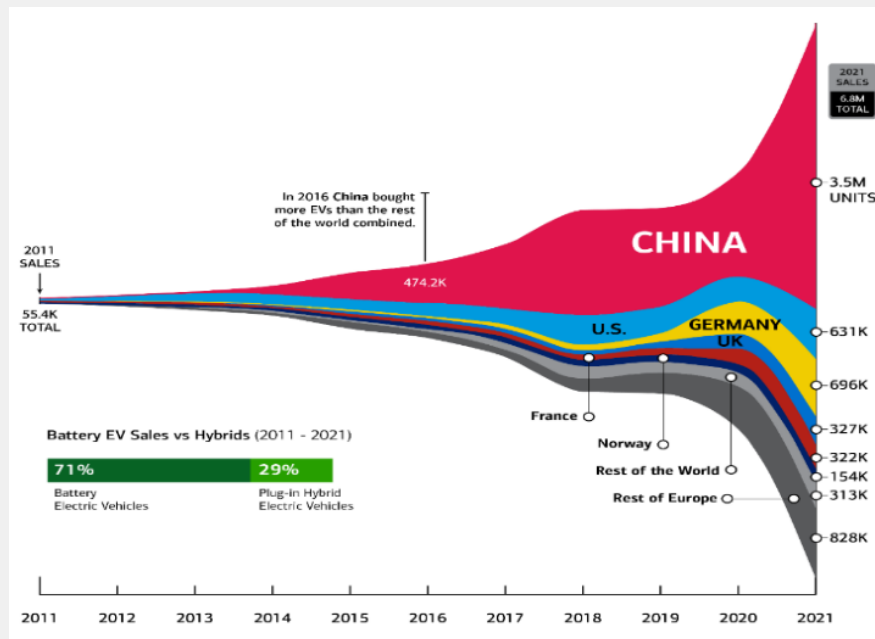
Source: BofA Global Research – transforming world

- **384 new mines** required to meet **the increasing demand for critical minerals.**
- **Over ¾ of produced lithium, cobalt and other rare minerals come from Australia, DR Congo & China and the refining and processing operations are dominated by China.**
- If the energy super cycle cannot last as incompatible with NZ commitments and energy security, **the critical minerals price inflation should last on medium term EXCEPT if recycling and circular economy.**



CHINA – UNAVOIDABLE?

HOW TO RECONCILE SOCIAL ISSUES?



Source: BofA Global Research – Thematic investing Net Zero 2.0 - 31.10.22
Source: Visual Capitalist, IEA, Argonne National Laboratory: Electric Vehicle sales by country

China's domination of most clean tech supply chains, particularly Evs

- Competition has started but large delay to catch up

Solar supply chains domination

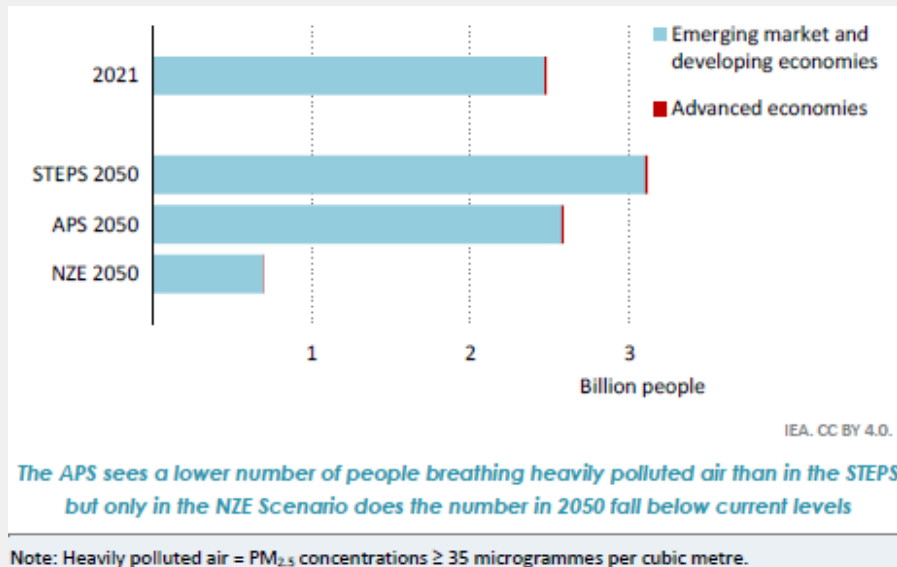
- From 75% to 95% of solar panel components are dependent of China

Engaging to mitigate adverse impact discovered through ESG scorecards – Xinjiang region forced labour

- Utility companies and companies with an exposure to solar panels with an exposure to the Xinjiang region in their supply chain, should have proper due diligence practices to avoid being exposed to forced labour (e.g. Sungrow).



SOCIAL ISSUES: THE UGLY DUCKLING OF ESG?



Source: World Energy Outlook – IEA

Climate change still dominating headlines and priorities but **not separated from Social concerns!**

CLIMATE AND HEALTH

- Air pollution = #1 killer worldwide

CLIMATE AND LABOUR MARKETS

- Energy and food inflation → increasing concern for workers conditions and pay
- Risk of recession vs labour market
- This in the context of demographic shifts ie. Baby boomers = 1/3 workforce leaving faster than ever. Younger generations who lack experience and skills to close the gap

GEOPOLITICS – FAIR TRANSITION (COP 27)



COST OF ESG? KEEP ON TRACK



01

Yes, **net zero is inducing a cost of capital** as the trillions required to finance the transition

- Capital allocation has already been reshaped following the climate action focus



02

Inflows still supporting ESG investments despite ESG premiums

- Top ESG scores companies with 40% premium in average → idea generation
- Use of labelled bonds is increasing → stockpicking



03

ESG versus recession fears are growing but in case of recession **oil prices** should also decrease



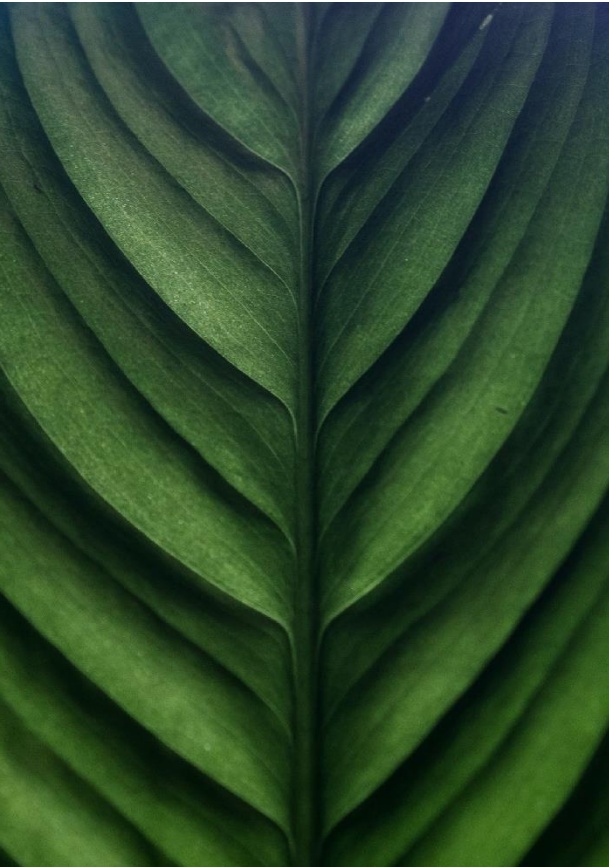
04

“Underperformance” YTD is a story of sector allocation, ESG premiums and real yield increase

- Sustainable -

KEY MESSAGES

- **Energy security** and unprecedented **response from governments** offer investment opportunities
- **Commodity bottleneck** should push recycling and circular economy alternatives
- **China** or how to mitigate social complexities with the clean energy giant
- **ESG:** keep on track and stock idea generation



THANKS TO YOUR PARTICIPATION TO OUR OUTLOOK 2023,
DPAM WILL DONATE THEIR GOODIE-BUDGET
TO “THE OCEAN CLEANUP”

The Ocean Cleanup, a non-profit organization, is developing advanced technologies to rid the world's oceans of plastic.



CLEAN UP what is already polluting our oceans



INTERCEPT plastic on its way to the ocean via rivers



SCIENTIFIC RESEARCH
to understand the problem and develop cleanup solutions



© The Ocean Cleanup



HEAD OFFICE BELGIUM



dpamfunds.com



degroofpetercam.com



+32 2 287 91 11



Rue Guimard 18,
1040 Brussels
Belgium



dpam@degroofpetercam.com



publications.dpamfunds.com



/company/dpam



/degroofpetercam

LOCAL OFFICES



Wiesenhüttenplatz 25,
60329 Frankfurt am Main
+49 69 56 60 82 531



Corso Europa 15,
20122 Milano
+39 02 12412 4673



Paseo de la Castellana 141,
Planta 19, 28046 Madrid
+34 91 5720 366



Rue Eugène Ruppert 14,
L - 2453 Luxembourg
+352 45 18 581



Rue de Lisbonne 44,
F-75008 Paris
+33 1 73 44 57 60



De Entree 234 unit 5.1,
1101 EE Amsterdam
+31 2 05 73 54 05



Affiliate – Bld Georges-Favon 20,
1204 Geneva
+41 22 929 72 23



Joint venture – Syncicap Asset Management*
66/F, The Center, 99 Queen's Road Central, Hong Kong
+852 3842 8200

