

# % DPAM

APRIL 2023

## SUSTAINABILITY RANKING EMERGING COUNTRIES

### **BIODIVERSITY: THE POOR RELATION OF POLICIES AND INVESTMENTS**

The Covid pandemic demonstrated the close link between health and environment. The different dimensions are closely interconnected. Therefore, while policies have tended to organize a governance regime by topic (climate, biodiversity, and desertification), the three are interlinked and may involve conflicts across policies.

Today, we face twin crises that must be solved in parallel: biodiversity loss and climate change. For example, climate change aims at an electrification of mobility that requires large resources of scarce metals, mainly from the South, and that puts at risk the biodiversity of places. Social tensions can only increase without rethinking the various policies and their consequences on all issues.





*Emerging economies are generally considered to have high potential, notably due to their young and growing population. Although most are not always seen as being sustainable or having a democratic process, integrating sustainability criteria into the management of a portfolio investing in these countries can be of real added value.*

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## **A PIONEER IN SUSTAINABILITY ANALYSIS** FOR EMERGING ECONOMIES

Contrary to popular belief, integrating sustainable factors to the analysis of emerging market issuers is compatible with, and adds value to a sovereign debt portfolio. Indeed, this helps to provide a holistic view by focusing on the long-term perspectives for key institutions that are vital for the functioning and development of markets. The analysis is complementary to credit ratings by mapping the risk situation in terms of sustainability and by providing valuable additional insights to sustainability-oriented investors.

The world population currently stands at 7.9 billion. According to United Nations statistics, this number is projected to grow to 9.5 billion by 2050. This increase will be particularly prevalent in emerging economies, which are currently confronted with overpopulation and a lack of natural resources. The demographic challenge is not only related to energy and ecology challenges, it also entails a challenge for the entire economy.

The uprisings in the Middle East and large migratory movements have and continue to highlight the importance of the democracy process, the guarantee of civil rights and freedoms. Inequalities within a population where high unemployment exists, in particular among the youth, create an insecure and unstable climate, which may ultimately lead to population rebellion.

Therefore, analysis of the viability of an emerging economy should include the sustainability of the country in terms of transparency and democratic values, as well as the economy, environment, demographics, health care, wealth distribution and education.

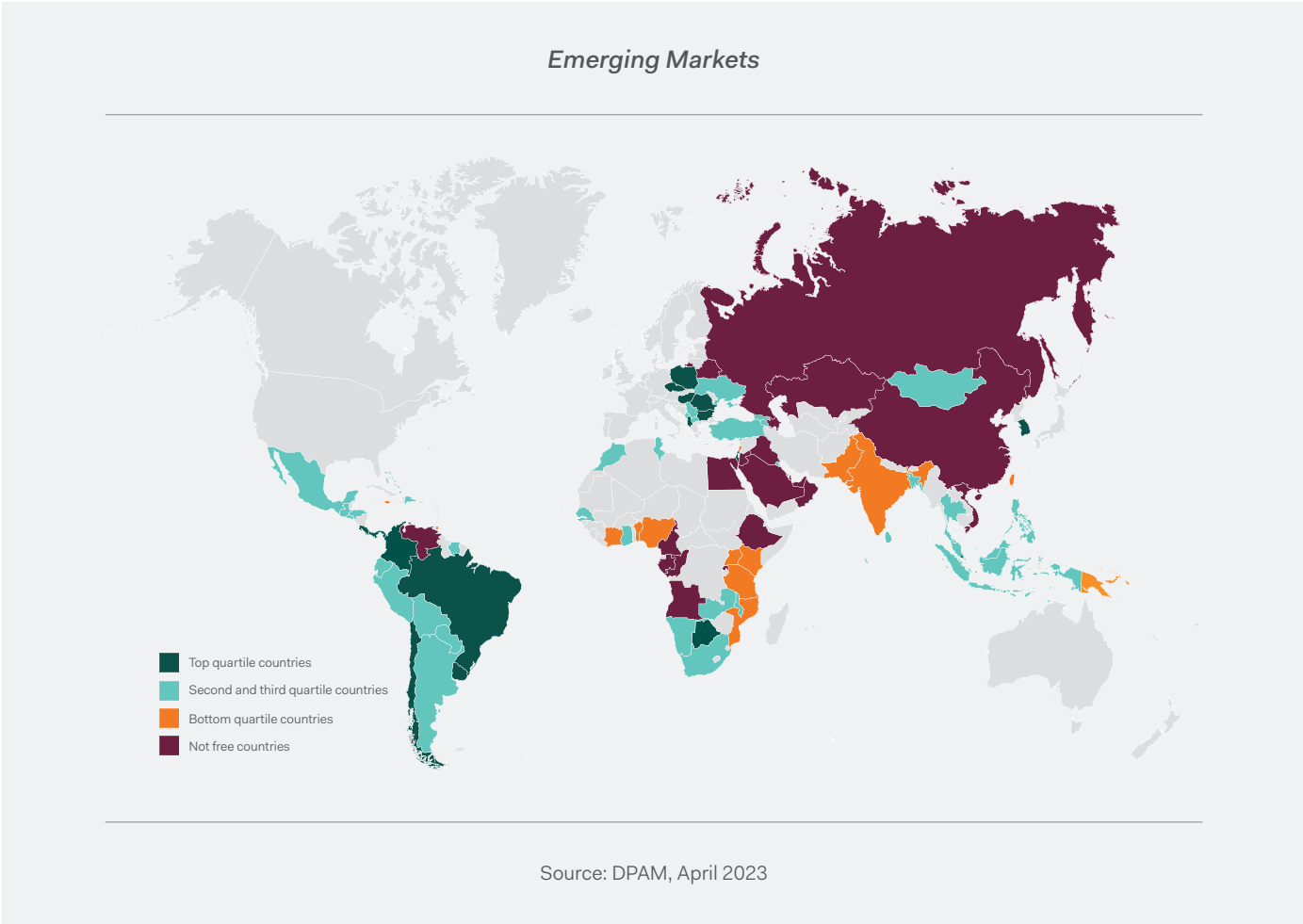
The experience DPAM has gained in the sustainability analysis of OECD states has led to a sustainability model designed for emerging markets which incorporates the specifics of these countries.

# SUSTAINABILITY RANKING – APRIL 2023

The starting universe is composed of 89 countries, mainly defined by the existence of a local or hard currency sovereign debt market. The sustainability ranking enables the identification of the countries which have fully integrated global challenges into the development of their medium-term objectives.

This complements the information gathered from credit ratings, which is traditionally used to assess the short term valuation of sovereign debt.

Integrating long-term perspectives allows to highlight those countries that are expected to outperform others and therefore to be solvent. These perspectives have no direct impact on the current valuation of an investment, but will influence medium and long-term performance.



## Sustainable country ranking of Emerging Markets

#	Top Quartile	H1 2023	H1 2022
1	Czech Republic	68	70
2	Chile	68	67
3	Hungary	66	66
4	South Korea	66	64
5	Poland	65	68
6	Uruguay	65	72
7	Singapore	65	63
8	Costa Rica	63	69
9	Romania	62	66
10	Israel	62	62
11	Brazil	61	62
12	Albania	61	65
13	Bulgaria	60	64
14	Colombia	59	58
15	Botswana	58	60
16	Panama	58	62

#	2nd & 3rd Quartile	H1 2023	H1 2022
17	Malaysia	57	61
18	Montenegro	57	59
19	Peru	56	59
20	Suriname	56	56
21	Georgia	56	59
22	Ecuador	56	59
23	Macedonia	56	56
24	Maldives	56	51
25	Serbia	56	57
26	Mexico	56	58
27	Sri Lanka	56	57
28	Argentina	55	61
29	Bahamas	55	57
30	Tunisia	55	57
31	Ukraine	55	57
32	Namibia	55	60
33	Thailand	55	57
34	Bolivia	54	58

#	2nd & 3rd Quartile	H1 2023	H1 2022
35	Turkey	54	53
36	Armenia	54	63
37	Ghana	54	63
38	El Salvador	53	52
39	Malawi	52	52
40	Bangladesh	52	53
41	Dominican Republic	51	59
42	Paraguay	51	59
43	Philippines	51	51
44	South Africa	51	53
45	Kuwait	51	57
46	Indonesia	51	55
47	Mongolia	50	55
48	Morocco	50	56
49	Guatemala	50	51
50	Senegal	50	55
51	Zambia	50	50
52	Honduras	50	49

#	Bottom Quartile	H1 2023	H1 2022
53	Jamaica	49	56
54	Tanzania	49	52
55	Kenya	48	55
56	Côte d'Ivoire	47	56
57	Benin	46	54
58	Lebanon	46	50
59	India	46	49
60	Uganda	45	50
61	Mozambique	44	43
62	Trinidad and Tobago	43	43
63	Nigeria	41	40
64	Papua New Guinea	40	43
65	Pakistan	40	39
66	Taiwan	-99	-99

\*-99 = not statistically relevant

#	Not free countries	H1 2023
1	United Arab Emirates	57
2	Qatar	55
3	Belarus	54
4	Russia	53
5	China	53
6	Bahrain	52
7	Saudi Arabia	51
8	Oman	51
9	Rwanda	50
10	Vietnam	50
11	Egypt	49
12	Jordan	49
13	Gabon	47
14	Kazakhstan	46
15	Venezuela	45
16	Azerbaijan	44
17	Ethiopia	43
18	Cameroon	39
19	Iraq	38
20	Angola	37

Source: DPAM, April 2023

## DEMOCRACY AS A STARTING POINT

The core of the model is the democratic values. Upholding these is a moral obligation to DPAM, which is intrinsically linked to the stance of a sustainable investor. Indeed, academic research has demonstrated the clear correlation between the quality of the institutional framework of a country and its default risk.

DPAM uses the research of the international NGO Freedom House to assess the democratic development of a country. Based on an annual survey containing 25 questions on political rights and civil liberties, a country is attributed the status of 'free', 'partially free' or 'not free'. This information is complemented by the Democracy Index published by The Economist Intelligence Unit, which is also based on approximately twenty questions to assess the democratic level of a country. The latter is attributed the status of "democracy", "flawed democracy", "hybrid regime" or "authoritarian regime".

Several countries within the emerging universe do not fulfil the minimum requirements in terms of democracy and investment leeway. In total, the investment strategy linked to this sustainability ranking refrains from investing in countries which have been categorised by reputable international sources as 'not free' and confirmed as "authoritarian regimes". These include the United Arab Emirates, Belarus, Oman, China, Kazakhstan, Azerbaijan, Qatar, Vietnam, Rwanda, Saudi Arabia, Russia, Egypt, Bahrain, Gabon, Angola, Venezuela, Cameroon, Congo and Ethiopia.

Studies indicate a clear link between the democratic level of a country and its sustainability. It should therefore not come as a surprise that the majority of those countries deemed 'not free' are at the bottom of the sustainability ranking.

## SUSTAINABILITY: A REAL ADDED VALUE TO MANAGE INVESTMENT IN EMERGING MARKETS

The analysis provides important information regarding sustainability levels of the studied countries. It enables comparison with several countries which have a similar level of economic development, but differ with regard to social, ecological and corporate governance development. Making a clear and full analysis of the sustainability of a country adds real value as part of the construction of an investment portfolio, in addition to the ideological values that may be presented. In essence, the model puts the opportunities and risks linked to a country into context.

The objective is not to exclude countries which have low sustainability scorings, as several countries in the universe have just started to improve their democratic process. Many years of dictatorship weigh on the sustainable development of a country. The transition to fully respect civil liberties and political rights, freedom of press and gender equality is a long term process, in particular if these rights have been violated for many years. Therefore, the progress made by countries should be closely monitored.

## GLOBAL COVERAGE

The extra-financial research performed by DPAM covers those countries into which investors may want to invest (39 OECD countries and 89 emerging countries). This forms an integral part of DPAM's conviction management, which is based on seeking risk-adjusted performance. Investors having a clear and full view of the risks and opportunities of a specific country have a comprehensive source of information to assess whether the companies active in that particular country may be successful. The quality of a financial investment is judged, among other things, by the characteristics of the markets the company operates in, and of the specificities of those countries.

## WHAT IS SUSTAINABILITY?

**Sustainable** development meets the needs of the present generation without compromising the ability of future generations to meet their own needs<sup>1</sup>.

Sustainability at country level differs from that of a corporation. A sustainable country is committed to fully ensuring the freedom of its citizens and invests in their personal development and welfare. It is respectful towards the environment and is reliable in terms of international responsibilities and commitments. It ensures its future and invests in next generations (education & innovation).

## HOW TO MEASURE SUSTAINABILITY OF A COUNTRY?

There are three main approaches to measuring the sustainability of a country:

- 01** The **legal approach**, with the emphasis on treaties and offenses related to government actions. It should be noted however that agreement treaties are not always fully binding and there is often no penalty where violations occur.
- 02** The extreme **stakeholder approach**. The inconvenience of this approach is the importance of the number of stakeholders and parameters to be considered, giving rise to the possibility of dilution and irrelevancy of the indicators.
- 03** The **exclusion approach**, which consists of exclusions on the basis of controversial activities, examples being whale hunting and deforestation.

These approaches raise the issue of the moral threshold level, and subjectivity is likely to make it questionable.

The lack of information and an associated model encouraged DPAM to develop an in-house research model in 2007. Given the subjective character of the issue, key principles were defined from the beginning:

01

Existence of an **advisory board**, consisting of majority external specialists providing input to the model.

02

Assessment of the commitment of the country to its **sustainable development**: variables on which the country can have influence through decisions.

03

**Comparability and objectivity**: criteria are numeric data, available from reliable sources and comparable for all countries.

<sup>1</sup> Source: Bruntland Report, 1987

## THE FIXED INCOME SUSTAINABILITY ADVISORY BOARD (FISAB) ENSURES THE OBJECTIVITY OF THE MODEL

The role of the FISAB is:

- 1 To select the sustainable criteria which fulfil the preliminary requirements, and are the most relevant in the framework of sustainability assessment of the OECD and EM universes.
- 2 To determine the weights attributed to each indicator.
- 3 To critically and accurately review the model and the ranking to ensure continuous improvement.
- 4 To validate the ranking of the emerging economies.

The FISAB consists of seven voting members with a majority of external experts. The complementary background of the members guarantees a high level of expertise and knowledge of the issue in constructing the most relevant model. The objective of the board is to raise awareness on ESG issues among the portfolio management teams.

### EXTERNAL MEMBERS

**Aleksandar Rankovic**  
*Researcher at IDDDRI  
(Institute for Sustainable  
Development and  
International Relations)*

**François Gemenne**  
*Professor at Sciences Po  
(Paris) & ULB (Brussels)*

**Jan Schaerlaekens**  
*Deputy at  
Brussels Parliament*

**Thomas Bauler**  
*Assistant Professor at  
ULB-IGEAT (Brussels)*



### INTERNAL MEMBERS

**Ophélie Mortier**  
*Chief Sustainable Investment  
Officer DPAM*

**Ives Hup**  
*Global Key Accounts Coordinator  
DPAM*

**Celine Boulenger**  
*Economist  
Degroof Petercam*

## SELECTIVE AND OBJECTIVE CRITERIA TO ASSESS THE SUSTAINABILITY OF COUNTRIES

The sustainable overlay is characterised by indicators, which governments can utilise to influence their policies (government, authorities, and law). Thus, it avoids data linked to the geography or population density of the country. The model is quantitative and tracks the current performance of a country, with comparable data. Only a limited number of treaties are considered as they do not guarantee genuine commitment.

The underlying principles of the model remain the same, quantifiable criteria that can be applied to all countries, coming from acknowledged and reliable sources. Simultaneously, the assessment criteria must be adapted to the specific context. The level of development strongly varies from one country to another, which is why it is crucial to focus on a limited number of criteria which are vital to sustainability. For instance, the literacy rate is not relevant in developed countries in Europe, it is more so in countries such as Brazil, Ghana and Malaysia.

# BEST-IN-CLASS COMBINED WITH BEST APPROACH

Existing for over 15 years, the FISAB organized several strategic sessions on the proprietary model. The model was reviewed through the ESG angle: Environment, Social & Governance.

If climate has been occupying a major place in the global political agenda and in the sustainability analysis, DPAM remains convinced about the equal importance of the three interconnected dimensions.



### ENVIRONMENT

The environmental dimension.



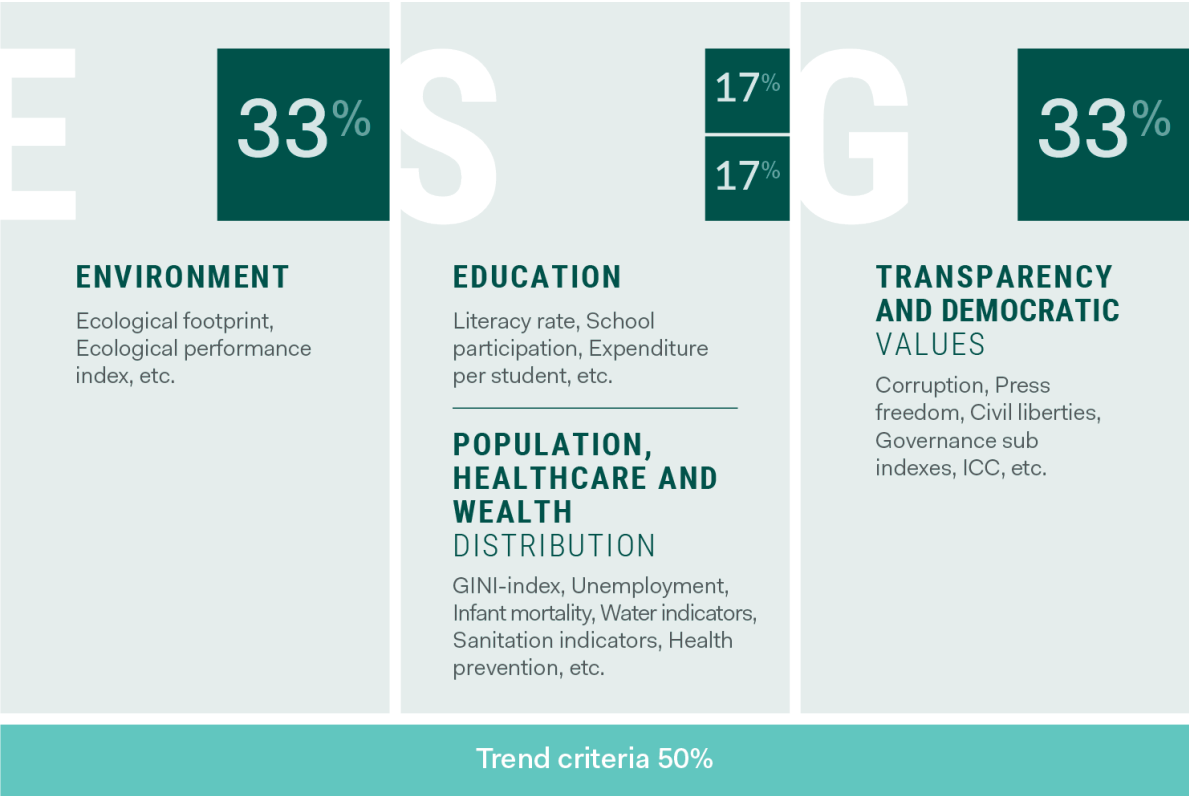
### SOCIAL

Regrouping the dimension of “population, health & wealth distribution” and the dimension of future generation “education and innovation.”



### GOVERNANCE

The dimension of “Transparency & democratic values.”



*The country model which originally consisted of 5 pillars, has been brought back to 4 pillars, the ‘Economics’ pillar having been absorbed by the pillars ‘Education/Innovation’ and ‘Population, healthcare and wealth’, This implies it remains present in the new model, for about 2.69%.*



The economic dimension remains naturally important, aligned with the principle of the Three Ps (People, Planet, Profit). This dimension is largely covered by the portfolio management expertise. From the sustainability perspective, we still see the Economics pillar as an important factor, yet we have lowered the overall weight of this pillar. As sustainable economic indicators, we kept age independency, unemployment and youth unemployment included in the social dimension.

The approach is dynamic as the selected criteria are reviewed twice per year with the intention of selecting the most appropriate and relevant criteria for each domain. An indicator may be replaced and adapted, or omitted. New indicators can enter the model and the allocation of the weightings may also vary.

## THE MODEL PREDATES THE **SUSTAINABLE DEVELOPMENT GOALS**

The 17 Sustainable Development Goals (SDG's), in the wake of the Millennium Development Goals, which were launched by the United Nations between 2000 and 2015, aim to advocate sustainable development on the economic, social and environmental domain. They reaffirm the human rights and the willingness to eradicate poverty, hunger and inequality by the end 2030.

The 17 social, environmental and economic objectives have been adopted by nearly 200 countries. It is a unique opportunity to channel more investments towards major environmental and social challenges.

DPAM is proud of its pioneer sustainability model that predates the SDG's. SDG's are so much more than a mere different framework to communicate on our ESG and sustainable investment philosophy. We review the country model taking into account the SDG's to increase its relevancy and to better integrate these objectives in our investment decisions.



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## SOURCES ARE INTERNATIONALLY RECOGNIZED

The model aims for the highest possible level of objectivity. Accordingly, statistical data to support the analysis of the country's sustainability are mainly collected from government databases and international governmental agencies such as the International Energy Agency, World Bank, International Monetary Fund, United Nations Development Programme and US Central Intelligence Agency. Data are complemented by information drawn from leading non-governmental organisations such as Freedom House, Transparency International and World Economic Forum.

## KEEPING A HOLISTIC VIEW

Our sustainability country model relies on the three key sustainability dimensions namely Environment, Social & Governance. Each dimension is equally important but their individual analysis does not hide the interconnectivity between the three correlated dimensions.

Over the last years, we witnessed several disruptions and even contradictions regarding governance, social concern or environmental issues. This is why **sustainability analysis at country level has been essential in an integrated model**. (Read more on the [holistic approach in sustainability here](#))

In terms of governance, the strength of the governing institutions is a key indicator to ensure the reliability and stability of the adopted policies and programs. These enable countries in facing internal and/or external challenges and obstacles.

The lack of credible and meaningful policies could impact the social stability of a country. Sound corporate governance is indisputable. At the same time, social instability weighs on long-term growth potential and economic development of a country.

The examples of citizens, through NGO's, suing the States for lack of responsibility in their environmental ambition and emissions targets – is testament to the strong relationship between governance and environment.

## ENGAGING WITH COUNTRIES AS SOVEREIGN BONDS HOLDERS

Engaging with countries has always been considered challenging, if not impossible to achieve. Therefore, investors have rarely got involved. However, DPAM is convinced of its importance by approaching sovereign issuers and explaining the sustainable methodology we have developed for over 15 years.

The sovereign bond portfolio construction relies on in-depth research of a country's fundamentals implying several investors' trip to meet with supervisory authorities, central banks, government officials, or employers' associations and supranational entities such as the IMF, the World Bank or the OECD. This is a unique opportunity to increase awareness regarding the sustainability approach in government bonds investments from an investor point of view, and to discuss and brainstorm the future ESG challenges. Our country model is at the forefront of the dialogue between investors and sovereigns to highlight the national relative strengths and weaknesses.

The aim of these meetings is not to elaborate on the country sustainable model, but rather explain how the output of DPAM works and dialogue with the different countries in order to:

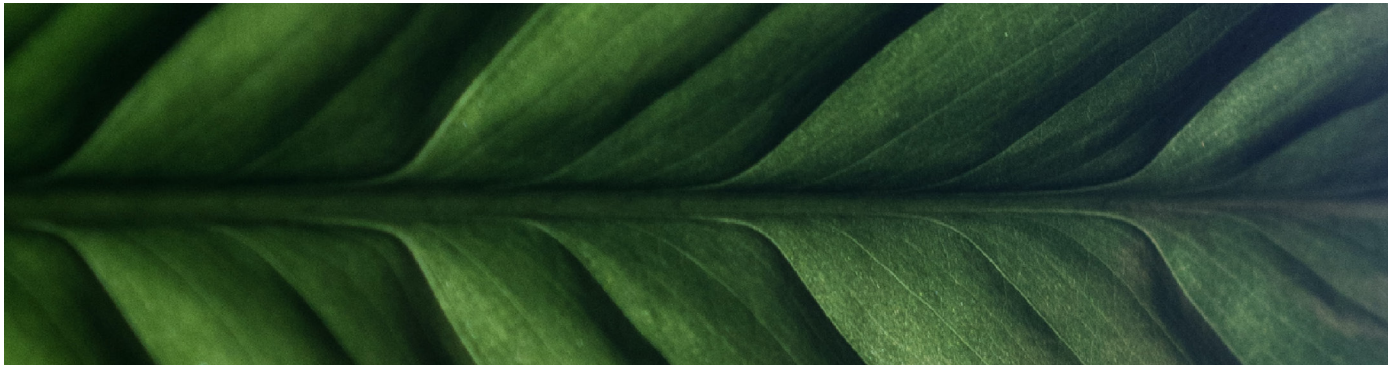
- **Explain** our approach and how it may impact our investment decision process.
- **Raise awareness** about the outcome of our models and to ultimately pass on a clear message to policy makers that country sustainability can be a key driver for investor appetite.
- **Be receptive** to any constructive feedback to enhance our models.

As democratic countries are governed by a voting electorate, and not by voting shareholders, there is clearly a different link between government bond holders and governments, compared to the relation between companies and shareholders, or even creditors. Nonetheless, **our aim is to favour funding countries that are managed in a sustainable way**, and we see it as our responsibility to inform countries about our investment process, and to some extent our country model. Hence the need for a country engagement framework.

The engagement with sovereigns is a unique opportunity to inform national treasury, debt management office or equivalent about the use-of-proceeds bonds such as green, social or sustainability government bonds (1) to encourage increase in issuance of such impact bonds and (2) to raise awareness and importance on the alignment of current and future issuance frameworks with best practices.

## SUSTAINABILITY THEMES

Within each driver, the FISAB has assessed the different sustainability themes measured by the indicators and their respective importance. Following the SDG's, the model is constantly reviewed to ensure the right balance among the sustainability themes.



### ENVIRONMENT - FOCUS ON BIODIVERSITY

Biodiversity is complex to measure and assess given the different dimensions it covers.

The AICHI Biodiversity Targets 2020 have listed indicators related to objectives only from 2016. Nevertheless, these leave a large margin of flexibility to states; with the emergence of over 200 national objectives as a result. Then, the COP 10 on biodiversity has defined a strategic plan for 2011-2020 and the COP 15 has reviewed a post-2020 framework for the UN Decade of Biodiversity. Expectations were high in Montreal with ambitious goals to be reached. Under the claim of "[Paris moment for nature](#)", it highlights how the topic has gained importance.

Different challenges exist to assess the biodiversity at country level, whilst there is a collective responsibility towards the planet, from notably countries welcoming the major biodiversity stocks such as Brazil, Colombia, Indonesia, Venezuela, Malaysia or Congo.

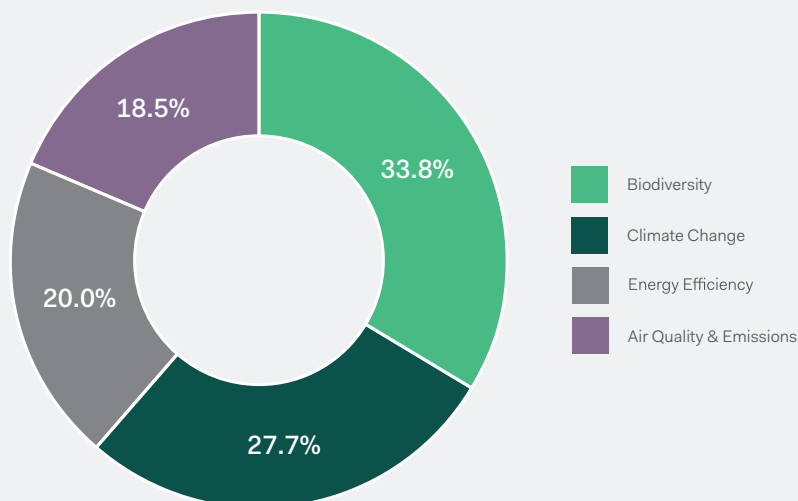
Some indicators have been included in the model since inception, notably related to **forests** - as these play a major role in carbon sequestration – or **protection area**. Nevertheless, the experts of the FISAB have reflected on additional indicators, as direct drivers or proxy ones, for biodiversity protection and ideally, restoration.

Firstly, **the Global Safety Net**, created by the research organisation Resolve with the assistance of the University of Minnesota, Arizona State University and Globaia, aims at assessing pressures and drivers on biodiversity and has estimated to 50,4% of the territory to be protected to solve the twin crises of biodiversity loss and climate change. The indicator is not perfect as it cannot make the distinction between the quantity of protected area with the quality of this. Indeed, some countries might have achieved the required percentage of protected area expressed in total of area, but by cumulating areas with various levels of biodiversity reserves. Nevertheless, the Global Safety Net gives a first estimate of the protection area gap by comparing what is required with what is already covered.

Next to the question of protected areas, DPAM has signed a partnership agreement with Plasteax, an organisation focusing on **plastic waste management** worldwide. Plasteax is a database which intends to provide best in class information about plastic waste management worldwide. It is a model developed with IUCN and UNEP and establishes a process to ensure automatic, rigorous and scientific monitoring of data. More information on [www.plasteax.org](http://www.plasteax.org).

**Why to include an indicator on plastic in the model?** Post-pandemic, the concept of One Health has emerged, based on the strong correlation between Health and Environment and therefore the need for **an integrated and unifying approach**, combining multiple sectors and disciplines to optimize health of all (people, animals and environment). The threat that plastic may represent for humans, animals, and environment when mismanaged, provides relevant information on the responsibility of countries regarding this important driver of pollution. Therefore, DPAM considered essential to work with Plasteax on a model including the question of plastic exports.

#### *Subthemes within the E dimension - Focus on Biodiversity*



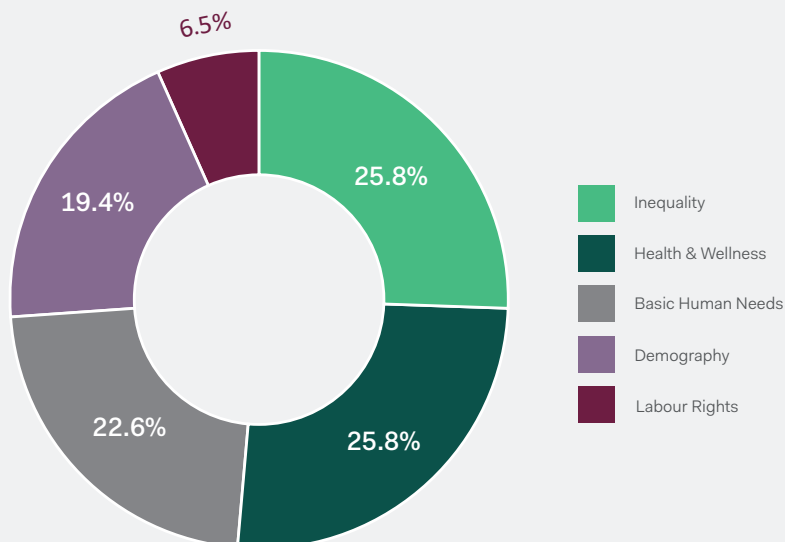


## SOCIAL – POPULATION, HEALTH AND WEALTH DISTRIBUTION

The European headlines speak about it every day: the new social “agreement” combining longer life expectancies with declining birth rates. Countries have started to increase the statutory retirement age and even to link this explicitly with the life expectancy like in Denmark, Finland or Sweden. The increasing age dependency ratio is also putting pressure on the fiscal sustainability of governments and the net pension replacement rate for workers. These will have to be compensated with private savings, while the risk of indebtedness of households is increasing.

All this is increasing tensions and social instability, particularly in a context where the institutions' intervention has been continuously reduced. **Sustainable countries will be those able to leverage the latest technological gains and social progress to create exciting opportunities and inclusive economic prosperity for all.**

### *Subthemes within the S dimension - Population, Health and Wealth Distribution*



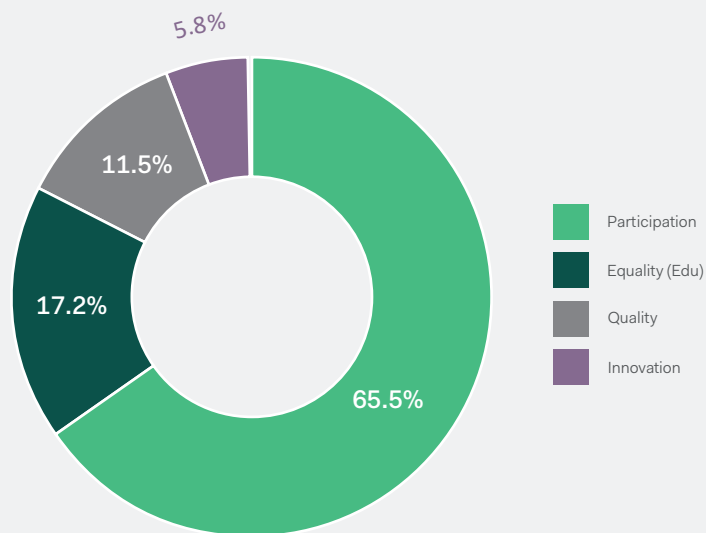


## SOCIAL – EDUCATION AND INNOVATION

Furthermore, the pandemic has highlighted the importance of **key workers**, who are essential to societies to operate, in both good and difficult situations.

The countries must reevaluate the work of those workers and invest in **key sectors** to ensure that the economic and social contributions of these unvaluable workers are fully reflected. The more the countries will acknowledge these key people and the long list of weaknesses they face – such as elevated occupational safety and health risks, longer and irregular working hours, low pay, over-reliance on temporary contracts, insufficient trainings, or deficits in social protection (Source: ILO Report – the value of essential work – 2023), the more resilient they will be to face major disruptions and crises irrespective of their nature.

*Subthemes within the S dimension - Education and Innovation*



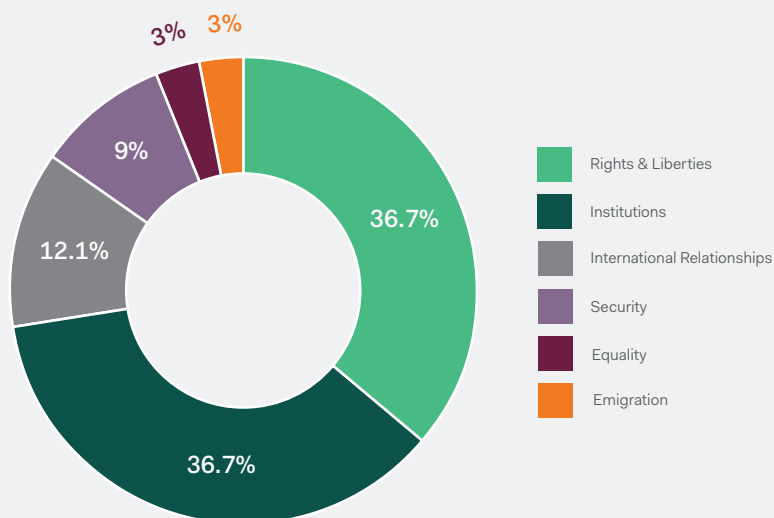


## GOVERNANCE - **TRANSPARENCY AND DEMOCRATIC VALUES**

This year is the 50th edition of Freedom in the World report, from the NGO Freedom House, a key source on democratic requirements worldwide. It is also the 17th consecutive year the report highlighted the decline in democracy. However, we might be at a turning point as the number of countries registering a progress (34) is almost the same as those registering a decline (35). This gives some hopes **whilst only 20% of the population live in considered fully free countries against 39% of the population in non-free countries.**

For the sustainability model, **the democratic requirements are a key stone** of the governance driver. Beyond the status of free or non-free countries, other indicators are scrutinized to anticipate any deterioration of the democracy level in a country. The biggest driver of decline in **freedom is the freedom** of expression. In first place, the question of the media freedom, which is under serious pressure in 157 countries and territories according to the NGO but also the right to personal expression, is continuously diminished in several countries. If the pandemic constrained governments to adopt restrictions that could undermine the personal rights and civil liberties, it is time now to see a rollback of these and observe more competitive elections throughout the world to **defend democracy at any price.**

### *Subthemes within the G dimension - Transparency and Democratic Values*





## OUR COMMITMENT TO SUSTAINABILITY

Being a responsible investor goes beyond offering sustainable and responsible products; it is a **global commitment at company level** translated into a coherent approach. ESG factors are environmental, social or governance characteristics that may have a positive or negative impact on the financial performance or solvency of an entity, be it sovereign or individual.

DPAM is committed to act as a sustainable and responsible market participant. **Our engagement is threefold:** uphold fundamental rights, avoid controversial activities and be a responsible stakeholder by engaging with companies to foster best practices & evolutions bringing sustainable solutions to ESG challenges.

### Our commitment



#### Defend the basic and fundamental rights

- Human Rights, Labour Rights, Fight against Corruption and Protection of Environment



#### Express an opinion on controversial activities

- No financing of usual suspects
- Clear controversial activity policy & Engagement on controversial issues
- Avoid controversies that may affect reputation, long term growth and investments



#### Be a responsible stakeholder and promote transparency

- Bring sustainable solutions to ESG challenges
- Engage with issuers, promote best practices and improvements

We are convinced of the risk/return optimisation that comes with ESG integration. We see sustainability challenges as risks and opportunities. We use ESG factors to assess them in our investment decisions. We are committed to the European Commission's 2030-2050 program for **sustainable and inclusive growth**.

The asset management industry is an impactful gear in the financial system. We want to take up our responsibility here. As a result, we consider it is important to define well the ESG factors, priorities and targets that are **material**.

### Conviction & commitment

The last decades brought on a lot of challenges. We firmly believe that **sound** corporate governance, a clear **understanding** of current/future environmental challenges and **respect** for social norms are drivers for long-term sustainable performance. This vision is integrated in our mission and value statement.

Our goal is to offer leading expertise and guard our shared values and beliefs. Environmental, Social and Governance (ESG) considerations are integrated into our value proposition, our fundamental research and our investment processes.

## Member & signatory



To prove our commitment to long-term sustainable financial management, we are a signatory to various organisations. These all advocate responsible investments and offer continuous insights into ESG challenges and opportunities.

We are part of two key initiatives on shareholder responsibility and the fight against climate change: PRI (since 2011) and Net Zero Asset Managers initiative (since 2022).

We have been supporters of the TCFD recommendations since 2018. In addition, we joined the Climate Action 100+ in 2019. That same year, we also became a signatory of FAIRR, a collaborative engagement initiative which seeks to decrease the environmental impact of the food value chain by encouraging the use of sustainable proteins within food products.

In June 2020, we decided to support the Investor Alliance for Human Rights, a collective action platform for responsible investments that is grounded in the respect for people's fundamental rights. Because the environment and biodiversity are such urgent global concerns, we have been supporters of the Finance for Biodiversity Pledge since December 2020. This Pledge calls on global leaders to protect and restore biodiversity through their financial activities and investments decisions.

In early 2023, we have engaged in two collaborative initiatives with Advance (A stewardship initiative for human rights and social issues launched by the UN-PRI) and IIGCC (The Institutional Investors Group on Climate change). Advance initiative primarily seeks change through investors' use of influence with portfolio companies. DPAM's involvement is mainly access to research, to be the lead investor for EDP & Acciona, and be the endorser's initiative for targeting public policy makers. IIGCC is the European membership body for investor collaboration on climate change. Their main objective is shaping sustainable finance and climate policy, supporting market development, and guiding investors in managing climate risks and opportunities aligning portfolios to climate goals, amongst others. DPAM's involvement is linked to the to its commitment to Net Zero Asset Management initiative.

-  **OVER A 20 YEAR TRACK RECORD**  
in sustainable investing
-  **SIGNATORY OF UN-PRI SINCE 2011**  
Highest rating A+ for our expertise
-  **PIONEER IN SUSTAINABLE SOVEREIGN DEBT**  
EUR 3.9 bn invested  
(as of end of December 2022)
-  **EXERCISE OUR VOTING RIGHTS IN 600 COMPANIES**  
in Europe and North America
-  **EUR 16.8 bn in SUSTAINABLE & RESPONSIBLE INVESTMENTS**  
across various asset classes  
(as of end of December 2022)
-  **In 2022 DPAM decided to join the NET ZERO ASSET MANAGERS INITIATIVE** (273 signatures with USD 61.3 trillion in AUM)
-  **ACTIVELY ENGAGED IN DIALOGUE WITH OVER 100 COMPANIES**  
regarding corporate governance practices
-  **Supporter of TCFD RECOMMENDATIONS and SIGNATORY OF THE CLIMATE ACTION 100+**

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