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Controversial Activities Policy

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Contents

I. Introduction

With extensive experience in sustainable investing, Degroof Petercam Asset Management (DPAM) launched its first sustainable strategy in 2001 and has continuously enhanced its offering of sustainable strategies since then. At DPAM, it is our conviction that sustainable investing is a long-term trend, which will continue. Because sustainable and responsible investing (SRI) is essential to the identity of DPAM - as illustrated by our motto: Active – Sustainable – Research - we strive to offer sustainable strategies which provide a high level of quality from an environmental, social and governance (ESG) perspective. With over twenty years of experience, we have a robust sustainable investment process and in-house expertise in positive sustainability screenings (Best-In-Class/Best-In-Universe, ESG scorecards, thematic stock-picking), negative screening (Norms-Based, Controversial Activities), corporate engagement, proxy-voting, and more recently in impact finance.

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

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

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

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

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

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

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

Before determining its position on controversial activities and in order to define a well-balanced, robust, and consistent controversial activities policy, DPAM first aims to develop a better understanding of the debate, of its broad context, and of its causes and effects. To this end, DPAM consults subject experts who enlighten us about sustainability topics and often help us to look at the subject from alternative points of view.

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

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

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

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

II. Scope of the policy

This controversial activities policy is applied consistently to all DPAM-labelled public funds and sub-funds for which DPAM acts as Management Company, as well as to the DPAM L-labelled public funds and sub-funds for which DPAS acts as Management Company. Unless otherwise contractually agreed with DPAM, it applies neither to discretionary portfolio management mandates DPAM manages on behalf of institutional asset owners/investors, nor to funds and sub-funds managed by DPAM by delegation for external parties. It may apply to a non-public fund managed by DPAM to the extent foreseen in its offering document.

III. Objectives of the policy

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

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

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

It should also be noted that DPAM has recently created an additional category of strategies named transition strategies. As a general rule and unless otherwise stated, DPAM transition strategies apply the same exclusions as DPAM sustainable strategies except for conventional oil and gas and unconventional oil and gas. Regarding conventional oil and gas and unconventional oil and gas, DPAM transition strategies apply specific exclusion rules, which are detailed later in this document (see sections on unconventional oil and gas, and conventional oil and gas). For all other controversial activities and unless otherwise stated, DPAM transition strategies apply the same exclusion rules as DPAM sustainable strategies[1].

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

[1] See summary table in annexes.

IV. Responsibilities

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

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

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

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

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

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

V. Statement on data

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

VI. DPAM's controversial activities policy and the EU Regulation 2019/2088 of 27 November 2019 on Sustainability-Related Disclosures in the Financial Sector (SFDR)

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

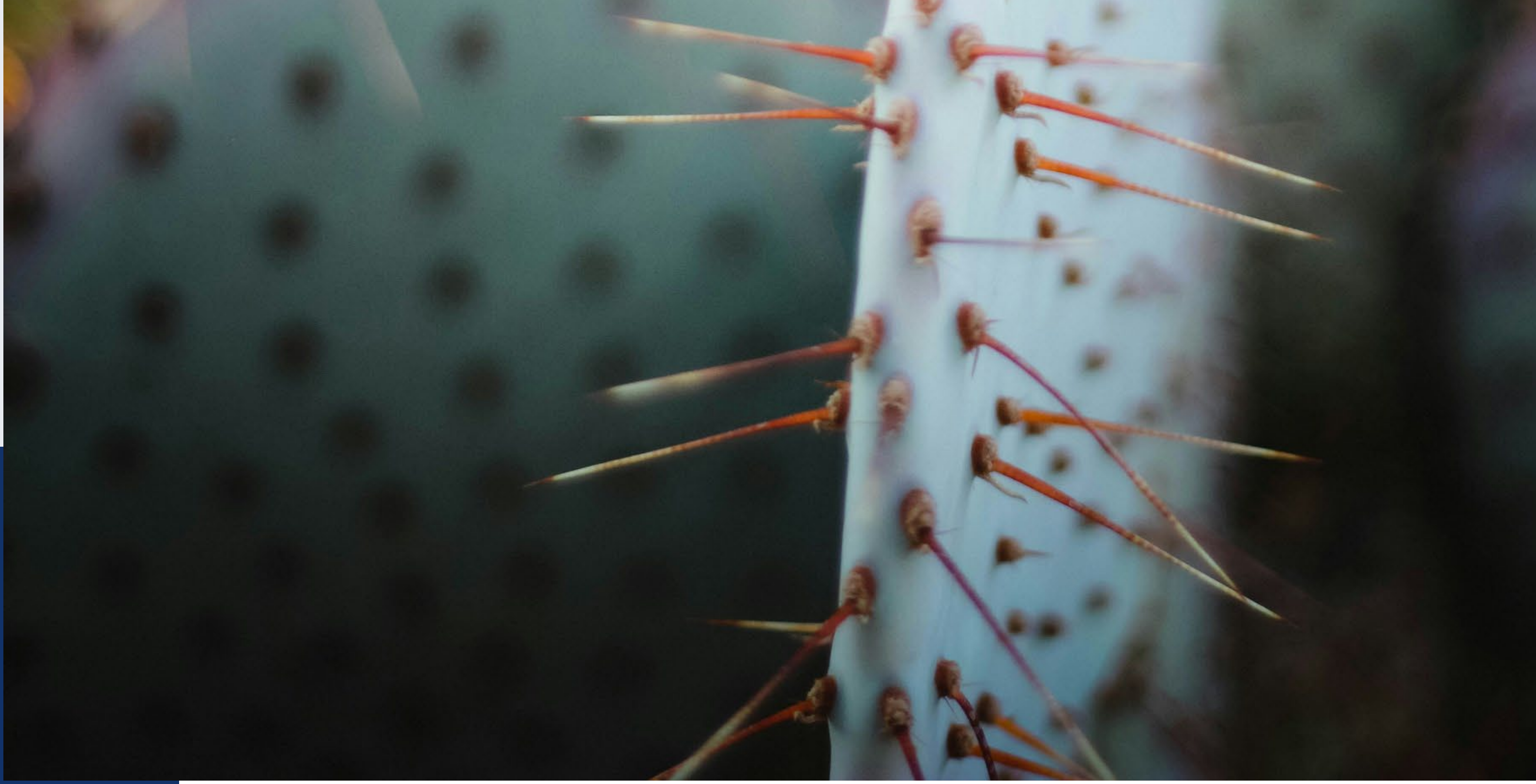
1. strategies which have a sustainable objective and fall in the scope of article 9 SFDR;
2. strategies which promote environmental and/or social characteristics and are investing partially in sustainable investments (so-called article 8 SFDR plus);
3. strategies which promote environmental and/or social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

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

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

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

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



With respect to DPAM's controversial activities policy, the activities covered can be linked to the environmental and social objectives defined in the SFDR:

SFDR "Do No Significant Harm" principle.	Environmental objective	Social objective
Corresponding controversial activities exclusions in DPAM policy	• Thermal coal extraction • Unconventional oil & gas • Conventional oil & gas • Electricity generation from fossil fuels (coal, oil & gas) • Nuclear Power generation • Palm oil	• Controversial Armaments • Conventional Armaments • Civilian Firearms & ammunitions • Tobacco • Gambling • Adult entertainment / pornography • Alcohol

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

VII. Controversial activities exclusions applying to actively managed mainstream strategies

With respect to the SFDR, and based on DPAM's current understanding of the SFDR, all DPAM article 8 SFDR products and all DPAM strategies falling into the SFDR "Other" category apply the exclusion rules detailed in this chapter entitled "Controversial activities exclusions applying to mainstream strategies"[2].

1. Anti-Personnel Landmines (APL), Cluster Munitions (CM), and Depleted Uranium Munitions and Armours (DPU)

Anti-Personnel Landmines (APL), Cluster Munitions (CM) and Depleted Uranium Munitions and armours (DPU) are subject to a prohibition on financing in several countries. Belgium, France, the UK, the Netherlands, Switzerland, Italy, Spain and Canada (among other countries) have introduced legal limitations on financing some or all of these weapons. Thus, the exclusion of these types of controversial weapons is regulatory in nature, and DPAM has set-up the necessary instrument to make sure that all our strategies fully comply with the applicable law.

In fact, most of these regulations only apply to actively managed strategies, and index strategies are generally exempt from these legal requirements. Yet, as a proof of DPAM's commitment to sustainable and responsible investing, we decided to go further than the law, by excluding these three types of controversial armaments (APL, CM, and DPU) from our index strategies as well. Therefore, our index strategies are effectively divesting from any issuer which has a proven involvement in anti-personnel landmines, cluster munitions, or depleted uranium munitions and armours.

In practice, screening corporate involvement in these controversial weapons requires some dedicated research and data. DPAM uses the research from the ESG rating agency ISS-ESG, which has a qualified and specialised team of analysts based in Stockholm. ISS-ESG provides us with a comprehensive overview of all the companies/issuers (both listed issuers and unlisted issuers) across the world, which are involved in these controversial armaments. ISS-ESG classifies companies/issuers into three categories to constitute an "alert system": Green (no involvement), Amber (suspected involvement but lacking evidence) and Red (proved involvement). All Red companies/issuers, i.e., companies/issuers with a proved involvement in these controversial weapons, are excluded from all DPAM's funds (actively managed and index-tracking strategies). DPAM goes further than the law as it also excludes from its actively managed strategies the Amber companies/issuers with an ISS score ≥ 8, meaning companies/issuers which are either indirectly involved in these controversial armaments, or strongly suspected of being involved in these controversial armaments but for which evidence of involvement is still lacking (usually because of a lack of transparency).

DPAM exclusion on Anti-Personnel Landmines (APL), Cluster Munitions (CM), And Depleted Uranium Munitions and Armours (DPU) (involvement in activities and dedicated equipment and services)	Exclusion thresholds
For actively managed mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	• Issuers classified by ISS-ESG as RED • Issuers classified by ISS-ESG as AMBER with a score ≥ 8

[2] Insofar as these strategies fall under the scope of DPAM controversial activities policy as defined in the section "II. Scope of the policy" of this document.

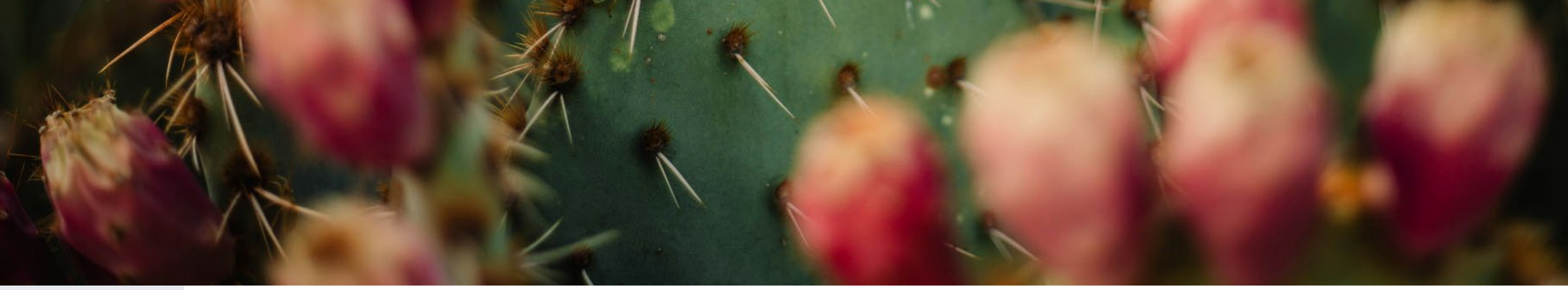
2. Biological and chemical weapons

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

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

Since DPAM has an exclusion in place both for its actively managed strategies and its index-tracking strategies, it follows that DPAM applies a wide exclusion on biological and/or chemical weapons from all its DPAM-labelled funds and sub-funds ((i.e., funds and sub-funds which have DPAM as their management company). This further substantiates DPAM's commitment to sustainable and responsible finance.

DPAM exclusion on biological and chemical weapons (involvement in activities and dedicated equipment and services)	**Exclusion thresholds**
For actively managed mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	• Issuers classified by ISS-ESG as RED • Issuers classified by ISS-ESG as AMBER with a score ≥ 8.



3. White phosphorus weapons

As a responsible investor, DPAM has also decided to restrict investments in issuers involved in white-phosphorus weapons from its actively managed mainstream strategies.

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

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

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

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

In practice, DPAM sources dedicated data from ISS-ESG for this exclusion. ISS-ESG's list provides a comprehensive overview of all issuers (both listed and unlisted) globally, involved in white phosphorus weapons (NW), either directly or indirectly. ISS-ESG classifies issuers into three categories to constitute an "alert system": "Green" (no involvement), "Amber" (suspected involvement but lacking evidence, or indirect involvement) and "Red" (proved involvement). DPAM systematically excludes all "Red" companies/issuers from all DPAM's actively managed Mainstream strategies (within the framework of this policy). In addition to that, DPAM also excludes from its actively managed Mainstream strategies all "Amber" companies/issuers with an ISS score ≥8, unless a due diligence review is carried out internally to verify that the causes of the "Amber" status according to ISS-ESG are valid and up to date and that the risk of involvement is significant. The due diligence is carried out internally within DPAM and might involve engagement with the companies (and ISS-ESG). Its conclusion is presented in the SRI Steering Group, for decision within a maximum of 6 months[3].

DPAM exclusion on white-phosphorus weapons (involvement in activities and dedicated equipment and services)	**Exclusion thresholds**
For actively managed mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	• Issuers classified by ISS-ESG as RED • Issuers classified by ISS-ESG as AMBER with a score ≥ 8 (unless the due diligence review invalidates the case[4]).

[3] Each Due Diligence Note will have to be presented for decision at the SRI Steering Group meeting organised no later than the 6th month following the date of initial drafting of the Due Diligence Note, in order to allow for any additional research and engagement with the companies.

[4] Each Due Diligence Note will have to be presented for decision at the SRI Steering Group meeting organised no later than the 6th month following the date of initial drafting of the Due Diligence Note, in order to allow for any additional research and engagement with the companies.

4. Nuclear weapons

Unlike most of the other controversial armaments mentioned above, the financing of companies/issuers involved in nuclear weapons is not prohibited under national laws. A prohibition to, inter alia, possess, use, develop and transfer or acquire nuclear weapons is now enshrined in the UN Treaty on the Prohibition of Nuclear Weapons, which was signed on 7 July 2017 and entered into force on 22

January 2021. Belgium is not a signatory and did not ratify this treaty[5]. However, although financing nuclear weapons is not prohibited by law in Belgium this does not mean that DPAM, as an investor, should not question whether such investments are ethically sensitive. On the contrary, nuclear weapons have by design indiscriminate and disproportionate effects on populations (notably through the effects of radiation and radioactive pollution which subsists and causes harm long after the blast). Hence, DPAM views nuclear weapons as controversial weapons, and a dedicated nuclear weapons exclusion policy has been defined.

In practice, DPAM sources dedicated data from ISS-ESG and MSCI-ESG for this exclusion. ISS-ESG's list provides a comprehensive overview of all the issuers (both listed and unlisted) globally, involved in nuclear weapons (NW) outside and inside the Nuclear Proliferation Treaty (NPT), either directly or indirectly. ISS-ESG classifies issuers into three categories to constitute an "alert system": "Green" (no involvement), "Amber" (suspected involvement but lacking evidence, or indirect involvement) and "Red" (proved involvement).

DPAM excludes from all DPAM's actively managed mainstream strategies (within the framework of this policy) all companies/issuers classified by ISS as RED outside the Nuclear-Proliferation-Treaty. In addition to that, DPAM also excludes from its actively managed Mainstream strategies all companies/issuers classified by ISS-ESG as RED inside the Nuclear-Proliferation-Treaty when the nuclear weapons are not from a NATO member country. DPAM also excludes all companies/issuers involved in the production of nuclear warheads and/or whole nuclear missiles, or components that were developed and/or significantly modified for exclusive use in nuclear weapons (based on MSCI-ESG research). DPAM also excludes all issuers deriving over 5% of total revenues from the production or sale of nuclear weapons (not counting revenues from ownership and dual use components as well as from delivery platforms).

For its index-tracking mainstream strategies, please refer to the dedicated section at the end of this policy.

DPAM exclusion on nuclear weapons	Exclusion thresholds
For actively managed mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	**Issuers involved in the production, sale, storage of nuclear weapons of States Non-Party to the Treaty on the Non-Proliferation of Nuclear Weapons:** • ISS-ESG nuclear weapons outside of NPT RED **Issuers involved in the production, sale, storage of nuclear weapons of States signatories[6] of the Treaty on Non-Proliferation of Nuclear Weapons but not members of NATO:** • ISS-ESG nuclear weapons inside NPT RED involved through non-NATO member program. **Issuers involved in the production of nuclear warheads and/or whole nuclear missiles; or components that were developed and/ or significantly modified for exclusive use in nuclear weapons**: **Issuers deriving over 5% of total revenues from the production or sale of nuclear weapons, except revenues from ownership and dual use components as well as delivery platforms:** • >5% revenues

[5] https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVI-9&chapter=26.
[6] among "signatories," we include states that are ratifiers or acceders or succeeders to the treaty, i.e., every state which is a member of the treaty.

5. Tobacco

The detrimental effects of tobacco consumption on human health have been known for a long time. However, the global consumption of tobacco remains close to its all-time high, notably because tobacco consumption is growing in emerging countries. This trend is likely to cause a surge in premature deaths over the coming decades. In addition to this grievous human impact, these fatalities will hinder the socio-economic development of these countries and contribute to locking affected families into poverty[7]. As a responsible asset manager, DPAM has decided to apply restrictions on issuers involved in tobacco from all its actively managed mainstream strategies.

DPAM exclusion on tobacco	Exclusion thresholds
For actively managed mainstream strategies *(↔corresponding to SFDR Art8 products and to “other” products)*	**Producers:** • Revenue exposure **≥ 5%** **Suppliers, distributors, and retailers:** • Revenue exposure **≥ 15%**

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

6. Thermal coal

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

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

As a result, investments in thermal coal-related assets are the subject of increased societal concern, based on its environmental and health impacts and high mitigation and adaptation costs. Overall, the future of thermal coal is being increasingly jeopardised by future climate policies, technological developments, consumer trends, and the evolution of global energy markets. Consequently, thermal coal assets could become stranded assets. As such, it is in the interest of investors with a medium- to long-term investment horizon to include the stranded assets factor in their risk assessment. In order to take these risks into account in its investment process and to advocate for a timely energy transition that is aligned with climate policy targets, DPAM has decided to apply restrictions to investments in thermal coal to DPAM sustainable actively managed strategies, to DPAM mainstream actively managed strategies, and to DPAM mainstream index-tracking strategies. This means that DPAM applies a wide restriction on investment in thermal coal for all its DPAM-labelled funds and sub-funds (i.e., funds and sub-funds which have DPAM as their management company, and which fall within the framework of this policy). This further underpins DPAM's commitment to sustainable and responsible finance. For more details about the restrictions applied, please refer to the table below, as well as to the relevant sections of this policy on sustainable funds and index funds.

DPAM exclusion on thermal coal[8] (Producers, extractors, transport infrastructure)	**Exclusion thresholds**
For actively managed mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	• Revenue: Revenue exposure from thermal coal extraction **> 10%**. • CAPEX: Companies developing or planning to develop new thermal coal capacity across the entire value chain (producers, extractors, transport infrastructure) i.e., related Capex >0. • Extraction: Companies extracting thermal coal >0 Tonnes extracted. • Sector: Companies on Bloomberg GICS10102050 sub-industry "Coal & Consumable Fuels".

[8] Unless they meet the criteria in 'Exceptions to the Exclusion Rule on Thermal Coal, Unconventional Oil and Gas, and on Electricity Generation.'

7. Electricity generation from fossil fuels & non-renewable energy sources (except nuclear energy)

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

In its **mainstream actively managed strategies** DPAM has decided to apply restrictions on power utility companies with exposure to coal electricity generation: please refer to the table below for details.

Some exclusions also apply for DPAM index ESG leaders/Selection[9] strategies, in line with the relevant MSCI-ESG index methodology. Please refer to the table later in this document for details.

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

DPAM exclusion on electricity generation from fossil fuels & non-renewable energy sources	**Exclusion thresholds**
For actively managed mainstream strategies (↔corresponding to SFDR Art8 products and to "other" products)	• Revenue: Revenue exposure from coal power generation > 10% • Production & capacity: Companies whose coal-fired electricity production > 10% of total electricity production AND with more than 10 GW of thermal coal power generation capacity. • CAPEX: Companies developing or planning to develop new thermal coal power generation capacity i.e., coal power generation Capex >0.

8. Unconventional oil and gas

Shale gas, oil sands, shale oil and Arctic drilling are considered controversial activities mostly because of their potentially significant environmental impact. Shale gas uses a water-intensive extraction process and generally requires the use of chemical additives which are injected into the ground. Oil sands extraction often leads to soil pollution. Arctic drilling also entails higher risks of environmental pollution due to the extreme weather conditions in this region. Moreover, these activities are also very

[9] Please note that, concerning Index funds, MSCI is aligning methodologies and index names, in line with the ESMA ESG funds' name guidelines.

energy-intensive, and by definition they aim at extracting more fossil fuels from earth, while climate change mitigation actually requires that humanity doesn't consume all extractable fossil fuel reserves. As such, shale gas, oil sands and shale oil are increasingly criticised for their direct and indirect contribution to greenhouse gas emissions and ultimately these activities are increasingly considered to be contravening international efforts to mitigate climate change. Overall, the extraction of shale gas, of shale oil, and of oil sands have a higher carbon footprint than conventional oil and gas. Therefore, these unconventional fossil fuels are exposed to a higher carbon risk, as regulation becomes stricter notably within the framework of mitigating climate change. Consequently, the risk of stranded assets is increasingly significant.

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DPAM exclusion on unconventional oil & gas (Exploration, extraction, refining and transport of unconventional oil and gas, or providing dedicated equipment or services, and production)	**Exclusion thresholds**
For actively managed mainstream strategies *(↔corresponding to SFDR Art8 products and to "other" products)*	• Production capacity of unconventional oil & gas in total oil & gas production capacity **> 20%**

9. Exceptions to the exclusion rule on thermal coal, unconventional oil and gas, and on electricity generation: pragmatic, but limited

In a few specific instances, DPAM believes it is preferable to adopt a pragmatic view, and to favour in-depth analysis rather than hard exclusions. The reasoning is that ESG positives should be taken into account in addition to ESG negatives. In other words, we could exceptionally invest in an issuer with some positive exposure to a sustainability trend, besides being exposed to a controversial activity.

Actively managed mainstream strategies

As an alternative to the thresholds referenced above, issuers are not excluded from actively managed Mainstream strategies if they **meet at least one** of the following options:

Activity	Science-based GHG reduction target	CAPEX contributing activities	Green bonds
Thermal coal	Validation	Min. 50%	Comply with ICMA or CBI or EU GBS or LMA framework + independent external review
Unconventional O&G	Validation	n/a	
Power generation	Validation	Min. 50%	

10. Sovereign bonds specific exclusions

Criteria for exclusion

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

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

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

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

Currency	Weights determined in the 2022[10] review
U.S. Dollar	43.38
Euro	29.31
Chinese Yuan	12.28
Japanese Yen	7.59
Pound Sterling	7.44

[10] Note that these weights have update cycles of 5 year.

- For example, if China were to be impacted by the exclusion framework, its weight as a reserve currency issuer would be capped at 12.28% of the total portfolio.
- Given that we are based in the eurozone and most of our clients use the euro as a base currency, the euro as a currency would never be excluded, but individual countries in the currency zone could be excluded.

11. ESG as our fiduciary duty

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

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

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

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

12. Summary table of the exclusion applying to actively managed mainstream strategies

Exclusions applying to actively managed mainstream strategies: (↔corresponding to SFDR Art8 products and to "other")	**Exclusion thresholds**
Legally excluded controversial weapons, including: • Anti-personnel landmines (APL), cluster munitions (AM), and depleted uranium munitions and armours (DPU) • Biological and/or Chemical weapons (Involvement via activities and dedicated equipment and services)	• Issuers classified by ISS-ESG as RED • Issuers classified by ISS-ESG as AMBER with a score ≥ 8
Other controversial weapons, including: • White phosphorus weapons (Involvement via activities and dedicated equipment and services)	• Issuers classified by ISS-ESG as RED • Issuers classified by ISS-ESG as AMBER with a score ≥ 8 (unless the due diligence review invalidates the case[11]).

[11] Each Due Diligence Note will have to be presented for decision at the SRI Steering Group meeting organised no later than the 6th month following the date of initial drafting of the Due Diligence Note, in order to allow for any additional research and engagement with the companies.

Exclusions applying to actively managed mainstream strategies: (↔corresponding to SFDR Art8 products and to “other”)	Exclusion thresholds
Nuclear weapons	**Issuers involved in the production, sale, storage of nuclear weapons of States Non-Party to the Treaty on the Non-Proliferation of Nuclear Weapons:** • ISS-ESG nuclear weapons outside of NPT RED **Issuers involved in the production, sale, storage of nuclear weapons of States signatories of the Treaty on Non-Proliferation of Nuclear Weapons but not members of NATO:** • ISS-ESG nuclear weapons inside NPT RED involved through non-NATO member programs. **Issuers involved in the production of nuclear warheads and/or whole nuclear missiles; or components that were developed and/ or significantly modified for exclusive use in nuclear weapons.** • Involvement flagged (MSCI ESG) **Production or sale of nuclear weapons, except revenues from ownership and dual use components as well as delivery platforms (via MSCI ESG):** • Revenue exposure **≥ 5%**
Tobacco	**Producers:** • Revenue exposure **≥ 5%** **Suppliers, distributors, and retailers:** • Revenue exposure **≥ 15%**

Exclusions applying to actively managed mainstream strategies: (↔corresponding to SFDR Art8 products and to "other")	Exclusion thresholds
Thermal coal[12] (Producers, extractors, transport infrastructure)	• Revenue: Revenue exposure from thermal coal extraction **> 10%.** • CAPEX: Companies developing or planning to develop new thermal coal capacity across the entire value chain (producers, extractors, transport infrastructure) i.e., related Capex >0. • Extraction: Companies extracting thermal coal >0 Tonnes extracted • Sector: Companies on Bloomberg GICS10102050 sub-industry 'Coal & Consumable Fuels'.
Electricity generation from fossil fuels & non-renewable energy sources: coal power (except nuclear energy)	• Revenue: Revenue exposure from coal power generation > 10% • Production & capacity: Companies whose coal-fired electricity production > 10% of total electricity production AND with more than 10 GW of thermal coal power generation capacity. • CAPEX: Companies developing or planning to develop new thermal coal power generation capacity i.e., coal power generation Capex >0.
Unconventional oil & gas (Exploration or extraction or providing dedicated equipment or services and production)	Production capacity of unconventional oil & gas in the issuer's total oil & gas production capacity **> 20%**

[12] Unless they meet the criteria in 'Exceptions to the Exclusion Rule on Thermal Coal, Unconventional Oil and Gas, and on Electricity Generation.'

VIII. Controversial activities exclusions applying to actively managed sustainable strategies

With respect to the SFDR and based on DPAM's current understanding of the SFDR, all DPAM article 9 SFDR products and all DPAM article 8 plus products, apply the exclusion rules detailed in this chapter entitled "controversial activities exclusions applying to sustainable strategies"[13].

It should be noted that, as a general rule, and unless otherwise stated, DPAM transition strategies apply the same exclusions as DPAM sustainable strategies except for conventional oil and gas, non-conventional oil and gas, thermal coal, and power generation. Regarding these activities, DPAM transition strategies apply specific exclusion rules, which are detailed later in this document (see sections on unconventional oil and gas, conventional oil and gas, thermal coal, and electricity generation)[14].

1. Anti-Personnel Landmines (APL), Cluster Munitions (CM), and Depleted Uranium Munitions and Armours (DPU)

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

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

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

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

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

[13] Insofar as these strategies fall under the scope of DPAM controversial activities policy as defined in the section "II. Scope of the policy" of this document.
[14] See Annex for a summary table.

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

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

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

DPAM exclusion on Anti-Personnel Landmines (APL), Cluster Munitions (CM), And Depleted Uranium Munitions & Armours (DPU) (involvement in activities and dedicated equipment and services)	**Exclusion thresholds**
For actively managed sustainable strategies (↔corresponding to SFDR Art9 and art8plus products)	• Issuers classified as RED by ISS-ESG[15] • Issuers classified as AMBER by ISS-ESG.

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

[15] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines, applying from 21 May 2025 for existing funds.

2. Biological and chemical weapons

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

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

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

DPAM exclusion on biological and chemical Weapons (involvement activities and dedicated equipment and services)	**Exclusion thresholds**
For actively managed sustainable strategies (↔corresponding to SFDR Art9 and art8plus products)	• Issuers classified as RED by ISS-ESG[16] • Issuers classified as AMBER by ISS-ESG.

[16] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines, applying from 21 May 2025 for existing funds

3. White phosphorus weapons

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

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

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

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

In practice, DPAM sources dedicated data from ISS-ESG for this exclusion. ISS-ESG's list provides a comprehensive overview of all issuers (both listed and unlisted) globally, involved in white phosphorus weapons (NW), either directly or indirectly. ISS-ESG classifies issuers into three categories to constitute an "alert system": "Green" (no involvement), "Amber" (suspected involvement but lacking evidence, or indirect involvement) and "Red" (proved involvement). DPAM systematically excludes all "Red" companies/issuers from all DPAM's actively managed sustainable strategies (within the framework of this policy). In addition to that, DPAM also excludes from its actively managed sustainable strategies all "Amber" companies/issuers, unless a due diligence review is carried out internally to verify that the causes of the "Amber" status according to ISS-ESG are valid and up to date and that the risk of involvement is significant. The due diligence is carried out internally within DPAM and might involve engagement with the companies (and ISS-ESG). Its conclusion is presented in the SRI Steering Group, for decision within a maximum of 6 months[17].

DPAM exclusion on white phosphorus weapons (WP) (involvement in activities and dedicated equipment and services)	**Exclusion thresholds**
For actively managed sustainable strategies (↔corresponding to SFDR Art9 and art8plus products)	• Issuers classified as RED by ISS-ESG • Issuers classified as AMBER by ISS-ESG (unless the due diligence review invalidates the case[18]).

[17] Each Due Diligence Note will have to be presented for decision at the SRI Steering Group meeting organised no later than the 6th month following the date of initial drafting of the Due Diligence Note, in order to allow for any additional research and engagement with the companies.
[18] Each Due Diligence Note will have to be presented for decision at the SRI Steering Group meeting organised no later than the 6th month following the date of initial drafting of the Due Diligence Note, in order to allow for any additional research and engagement with the companies.

4. Nuclear weapons

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

In practice, DPAM sources dedicated data from ISS-ESG and MSCI-ESG for this exclusion. ISS-ESG's list provides a comprehensive overview of all the issuers (both listed and unlisted) globally, involved in nuclear weapons (NW) outside and inside the Nuclear Proliferation Treaty (NPT). ISS-ESG classifies issuers into three categories to constitute an "alert system": "Green" (no involvement), "Amber" (suspected involvement but lacking evidence, or indirect involvement) and "Red" (proved involvement).

DPAM excludes from all DPAM's actively managed sustainable strategies (within the framework of this policy) all companies/issuers classified by ISS as RED outside the Nuclear-Proliferation-Treaty. In addition to that, DPAM also excludes from its actively managed Sustainable strategies all companies/issuers classified by ISS-ESG as RED inside the Nuclear-Proliferation-Treaty when the nuclear weapons are not from a NATO member country. DPAM also excludes all companies/issuers involved in the production of nuclear warheads and/or whole nuclear missiles, or components that were developed and/or significantly modified for exclusive use in nuclear weapons (based on MSCI-ESG research). DPAM also excludes all issuers deriving over 5% of total revenues from the production or sale of nuclear weapons (not counting revenues from ownership and dual use components as well as from delivery platforms).

DPAM excludes the nuclear weapons producers that appear on the Don't Bank on the Bomb report/list.

DPAM exclusion on nuclear weapons	Exclusion thresholds
For actively managed sustainable strategies *(↔ corresponding to SFDR Art9 and art8plus products)*	**Issuers involved in the production, sale, storage of nuclear weapons of States <u>Non-Party</u> to the Treaty on the Non-Proliferation of Nuclear Weapons:** • ISS-ESG nuclear weapons outside of NPT RED **Issuers involved in the production, sale, storage of nuclear weapons of States signatories[19] of the Treaty on Non-Proliferation of Nuclear Weapons but <u>not members of NATO</u>:** • ISS-ESG nuclear weapons inside NPT RED involved through non-NATO member program. **Issuers involved in the production of nuclear warheads and/or whole nuclear missiles; or components that were developed and/ or significantly modified for exclusive use in nuclear weapons:** **Issuers deriving over 5% of total revenues from the production or sale of nuclear weapons, except revenues from ownership and dual use components as well as delivery platforms:** • >5% revenues **Nuclear weapons producers on the Don't Bank on the Bomb report/list:**

[19] among "signatories," we include states that are ratifiers or acceders or succeeders to the treaty, i.e., every state which is a member of the treaty.

5. Other armaments

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

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

DPAM exclusion on other armaments	Exclusion thresholds
For actively managed sustainable strategies: (↔corresponding to SFDR Art9 and art8plus products)	**Aerospace and defence sector:** • Exclusion of **the whole sector** based on MSCI-GICS typology. **Conventional armaments (direct and dedicated equipment and services) as of:** • Revenue exposure > **5%** **Civilian firearms and ammunitions as of:** • Revenue exposure > **5%**

6. Tobacco

Tobacco is first and foremost a controversial topic because of the grievous adverse effects its consumption has on human health. Tobacco use is the world's third cause of death, and a risk factor in six of the eight leading causes of death, worldwide. According to the WHO, tobacco kills more than 7 million people each year, both as a result of direct tobacco use and because of indirect exposure for non-smokers. More than 1.1 billion people smoke, 80% of whom live in low- and middle-income countries. Statistically, tobacco kills up to half of its users[20].

In addition, the premature deaths caused by tobacco consumption are a significant contributor to poverty and social difficulties for the affected families, particularly in low- and middle-income countries. Tobacco is also a significant drain on national health budgets[21]. Moreover, tobacco farming negatively impacts the health of workers through "green tobacco sickness", which is caused by nicotine being absorbed through the skin when wet tobacco leaves are handled. Furthermore, the land used for tobacco cultivation could be used for food production[22], which would help to curb food scarcity.

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

DPAM also applies restrictions to its sustainable index-tracking strategies. Please refer to the dedicated section at the end of this policy.

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

DPAM exclusion on tobacco (all involvement: Producers, suppliers, distributors, and retailer)	**Exclusion thresholds**
For actively managed sustainable strategies (↔corresponding to SFDR Art9 and art8plus products)	**Companies involved in the cultivation or production of tobacco:** • Revenue exposure **>0%**[23] Suppliers, distributors, and retailers: • Revenue exposure ≥5**%**

[20] https://www.who.int/news-room/fact-sheets/detail/tobacco
[21] http://documents.worldbank.org/curated/en/914041468176678949/pdf/multi-page.pdf
[22] http://www.fao.org/docrep/006/y4997e/y4997e03.htm
[23] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines. In line with the ESMA guidelines, this rule will apply from 21 May 2025 for existing funds.

7. Gambling

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

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

DPAM exclusion on gambling	Exclusion thresholds
For actively managed sustainable strategies (↔corresponding to SFDR Art9 and art8plus products)	• Revenue exposure **≥ 10%**

8. Adult entertainment / pornography

The adult entertainment / pornography industry is widely criticised primarily for the suspected adverse effects it has on society in general (regressive and stereotypical images of gender, its detrimental impact on human psychology, etc.). It is also denounced for negatively impacting human dignity, for its deplorable labour conditions and for contributing to the spread of sexually transmitted diseases. Adult entertainment is considered a sin by most of the main religious groups worldwide (Christianity, Islam, and Judaism). Considering the religious origin of sustainable and ethical investing, it is not surprising that adult entertainment was excluded by many sustainable strategies since sustainable finance originated. Nowadays, adult entertainment is the fifth most common excluded activity within the European SRI industry, with more than a third of sustainable strategies excluding it[24].

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

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

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

DPAM exclusion on adult entertainment / pornography	Exclusion thresholds
For actively managed sustainable strategies (↔corresponding to SFDR Art9 and art8plus products)	• Revenue exposure **≥ 10%**

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

9. Thermal coal

In light of climate change and the Paris Agreement, DPAM acknowledges the incompatibility of large-scale thermal coal use with a sustainable future. Generating electricity from coal is particularly carbon intensive. Given that approximately 39% of the global electricity supply is still generated from coal[25], the total negative contribution of coal power plants to global warming is highly significant (coal power generation currently accounts for more than 40% of carbon gas emissions worldwide). In fact, complying with a 1.5-degree scenario, which is necessary to keep global warming under control, requires a complete phase-out of coal power generation, worldwide by 2050, at the latest. Given the unfavourable evolution of global greenhouse gas emissions in recent years, it is likely that we actually need to completely phase-out coal before this[26]. So, as the former head of the International Energy Agency colloquially stated: “Nothing is worse for the climate than burning coal”[27].

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

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

For DPAM’s index-tracking strategies, please refer to the dedicated section at the end of this policy.

Please note that this document also includes two sections on power generation, which also cover investment in issuers involved in coal power generation.

DPAM exclusion on thermal coal **(**Exploration, mining, extraction, distribution or refining of thermal coal, hard coal, or lignite, or providing dedicated equipment or services)	**Exclusion thresholds**
For actively managed sustainable strategies (↔corresponding to SFDR Art9 and art8plus products)	• Revenue exposure > 0%[29]; • CAPEX (investments) in thermal coal-related products/services > 0.
For actively managed transition strategies[28]	• Revenue exposure > 0%. • CAPEX (investments) in thermal coal-related products/services > 0.

[25] https://www.iea.org/publications/freepublications/publication/KeyWorld2017.pdf
[26] https://www.nytimes.com/interactive/2018/12/07/climate/world-emissions-paris-goals-not-on-track.html
[27] https://www.reuters.com/article/us-usa-climatechange/nothing-is-worse-for-climate-than-burning-coal-ex-u-s-epa-chief-idUSKCN1MJ19Y
[28] Unless they meet the criteria in ‘Exceptions to the Exclusion Rule on Thermal Coal, (un)Conventional Oil and Gas and on Electricity Generation.’
[29] Please note that this exclusion is relevant in the context of ESMA funds’ names guidelines. In line with the ESMA guidelines, this rule will apply from 21 May 2025 for existing funds.

10. Unconventional oil and gas

Shale gas, oil sands, shale oil and Arctic drilling are considered controversial activities mostly because of their significant environmental impact. The exploitation of these unconventional fossil fuels developed very quickly during the period 2000 - 2009, primarily in the USA and in Canada. The exploitation of these unconventional fossil fuels has had a significant macroeconomic impact in both countries and it is a paradigm shift for these countries' energy supplies.

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

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

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

DPAM exclusion on unconventional oil & gas: (Exploration or extraction or distribution or refining of unconventional oil and gas[30] or providing dedicated equipment or services[31])	**Exclusion thresholds**
For actively managed sustainable strategies[32] (↔corresponding to SFDR Art9 and art8plus products)	• Revenue exposure > 5%[34]. • Companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels. • Companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing, or distribution of gaseous fuels[35].
For actively managed transition strategies[33]	• Revenue exposure > 5% (unless they meet the exception criteria[36])

[30] This includes shale gas, oil sands, tar sands oil, coalbed methane, extra heavy oil, and Arctic oil & gas, as well as oil & gas from unconventional production methods such as fracking or ultra deep water.
[31] One exception to this rule concerns Use of Proceeds Bonds for Transition funds (not Sustainable funds). Please refer to the section 17 : "Use of Proceed Bonds" of this policy, for a detailed explanation.
[32] Except Transition strategies.
[33] The list of the concerned strategies can be provided on demand.
[34] Based on the activities listed in the header, i.e., exploration, or extraction, or distribution, or refining of unconventional oil and gas, or providing dedicated equipment or services.
[35] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines. In line with the ESMA guidelines, this rule will apply from 21 May 2025 for existing funds.
[36] Unless they meet the criteria in 'Exceptions to the Exclusion Rule on Thermal Coal, (un)Conventional Oil and Gas and on Electricity Generation.'

11. Conventional oil and gas

Conventional oil and gas exploration, extraction, refining, and transport are controversial activities due to their negative contribution to climate-change, although gas is sometimes presented as a complement to renewables in the future electricity generation mix. The oil and gas sector also provides the raw materials used in a wide variety of industrial processes.

Nonetheless, in the light of its negative contribution to climate-change, DPAM has decided not to include conventional oil and gas extraction in its sustainable conviction equity strategies[37].

With regards to the “hard exclusion criteria” applying to its sustainable conviction equity strategies [38], its sustainable multi-asset strategies [39] and its sustainable corporate bonds strategies [40], DPAM has decided to exclude all issuers involved in the exploration, extraction, refining and transport of oil and gas, or issuers providing dedicated equipment or services based on the criteria in the table below[41].

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

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

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

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

[37] The list of DPAM sustainable conviction equity strategies can be provided on demand.
[38] The list of DPAM sustainable conviction equity strategies can be provided on demand.
[39] The list of the concerned strategies can be provided on demand.
[40] The list of the concerned strategies can be provided on demand.
[41] One exception to this rule concerns Use of Proceeds Bonds. Please refer to the section 17 : “Use of Proceed Bonds” of this policy, for a detailed explanation.

DPAM exclusion on conventional oil & gas (Exploration, extraction, distribution, refining and transport of oil and gas, or providing dedicated equipment or services)	**Exclusion thresholds**
For actively managed sustainable strategies[42] (↔corresponding to SFDR Art9 and art8plus products)	• Revenue > 5%[44] • Companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels. • Companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing, or distribution of gaseous fuels[45].
For actively managed transition strategies[43]	• Revenue > 5% (unless they meet the exception criteria[46])

[42] Except Transition strategies
[43] The list of the strategies concerned can be provided on demand.
[44] Based on the activities listed in the header, i.e., exploration, extraction, distribution, refining and transport of oil and gas, or providing dedicated equipment or services.
[45] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines. In line with the ESMA guidelines, this rule will apply from 21 May 2025 for existing funds.
[46] Unless they meet the criteria in 'Exceptions to the Exclusion Rule on Thermal Coal, (un)Conventional Oil and Gas and on Electricity Generation.'

12. Electricity generation from fossil fuels & non-renewable energy sources (except nuclear energy)

{Please note that this exclusion doesn't apply to nuclear energy}.

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

Please find below the carbon intensity thresholds used for the screening described in the table below. These thresholds, which become stricter every year, are based on the scenario of the International Energy Agency (IEA) as outlined in its 2017 Energy Technology Perspectives report. Figures are offset by 1 year to account for data availability:

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

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

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

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

DPAM exclusion on electricity generation from fossil fuels & non-renewable energy sources (except Nuclear)	**Exclusion thresholds**
For actively managed sustainable strategies (↔corresponding to SFDR Art9 and art8plus products)	• Revenue: Companies deriving more than 10% of their revenue from coal power generation. • Production & capacity: Companies whose coal-fired electricity production > 10% of total electricity production AND with 5 GW or more of thermal coal power generation capacity. • CAPEX: Companies developing or planning to develop new thermal coal power generation capacity i.e., coal power generation Capex >0. • Companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO² e/kWh[49]. • Carbon intensity (gCO_2/kWh) above yearly thresholds defined above. • Coal-based power generation capacity as a percentage of total power generation capacity below 10%.
For actively managed transition strategies [47] [48]	• Revenue: Companies deriving more than 10% of their revenue from coal power generation. • Production & capacity: Companies whose coal-fired electricity production > 10% of total electricity production AND with 10 GW or more of thermal coal power generation capacity. • CAPEX: Companies developing or planning to develop new thermal coal power generation capacity i.e., coal power generation Capex >0. • Carbon intensity (gCO_2/kWh) above yearly thresholds defined above. • Coal-based power generation capacity as a percentage of total power generation capacity below 10%.

[47] The list of the concerned strategies can be provided on demand.
[48] Unless they meet the criteria in 'Exceptions to the Exclusion Rule on Thermal Coal, (un)Conventional Oil and Gas and on Electricity Generation.'
[49] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines. In line with the ESMA guidelines, this rule will apply from 21 May 2025 for existing funds.

13. Exceptions to the exclusion rule on thermal coal, (un)conventional oil and gas, and on electricity generation: pragmatic, but limited

As mentioned above, in a few specific instances, DPAM believes it is preferable to adopt a pragmatic view, and to favour in-depth analysis rather than hard exclusions. The reasoning is that ESG positives should be taken into account in addition to ESG negatives. In other words, we could exceptionally invest in an issuer with some positive exposure to a sustainability trend, besides being exposed to a controversial activity.

Actively managed sustainable strategies

As an alternative to the thresholds referenced above, issuers are not excluded from actively managed sustainable strategies if they **meet one of the criteria in the table** below. Note that this only covers exclusions rules which are **not** part of the European Securities and Markets Authority (ESMA) ESG funds' name guidelines (since these are hard rules, with the exception of green bonds, see below).

Activity	Science-based GHG reduction target	CAPEX contributing activities	Capex O&G
Thermal coal	Validation	Min. 50%	n/a
Conventional O&G	Validation	Min. 10%	Max. 15%
Unconventional O&G	Validation	Min. 10%	Max. 15%
Power generation	Validation	Min. 50%	n/a

Actively managed transition strategies

As an alternative to the thresholds referenced above, issuers are not excluded from actively managed transition strategies if they **meet the criteria (1) and (2)** below, if applicable:

1. Meet **at least one** of the following options:

Activity	Science-based GHG reduction target	CAPEX contributing activities	Capex O&G
Thermal coal	Validation	Min. 50%	n/a
Conventional O&G	Validation	Min. 10%	Max. 15%
Unconventional O&G	Validation	Min. 10%	Max. 15%
Power generation	Validation	Min. 50%	n/a

2. And, for unconventional oil and gas activities:
    - Share of its oil & gas production from **Arctic drilling** in its total production < 10%.
    - Share of its oil & gas production from **unconventional oil & gas**[50] in its total production < 10%.

On top of the exception criteria above, issuers can only be eligible if they have a **strategy to reduce the adverse impact of their activities and to increase their contributing activities**, if applicable.

14. Palm oil and deforestation

Requirement on palm oil

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

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

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

[50] Here, unconventional oil & gas is defined as shale gas, oil sands, tar sands oil, coalbed methane, extra heavy oil, as well as oil & gas extracted through fracking.

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

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

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

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

Requirement on deforestation:

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

DPAM exclusion on palm oil production and deforestation (Producers, i.e., growers, plantation operators)	**Exclusion thresholds**
For actively managed sustainable strategies (↔corresponding to SFDR Art9 and art8plus products)	Share of RSPO-certified plantations in total number of plantations < 50%

15. Use of proceeds bonds

For sustainable strategies and impact strategies

The general rule is that DPAM does not allow its sustainable and impact strategies to invest in companies which do not comply with DPAM's controversial activities policy. Yet, **one exception** relates to use-of-proceeds bonds from issuers which do not comply with one or several of the rules mentioned in this controversial activities policy for sustainable and impact strategies pertaining to:

- The exploration, mining, extraction, distribution or refining of **thermal coal** or the provision of dedicated equipment or services.
- The exploration or extraction of **unconventional oil and gas** or the provision of dedicated equipment or services.
- The exploration, extraction, refining and transport of **oil and gas**, or the provision of dedicated equipment or services.
- The **generation of power/heat** from non-renewable energy sources (except nuclear energy) or the provision of dedicated equipment or services.

In this specific case, and in line with the ESMA's ESG funds' name guidelines, and notably with the clarification issued by the ESMA in December 2024[51], an exception is granted under the condition that, either the green bonds are issued under the **European Green Bonds Regulation** (Regulation (EU) 2023/2631), or the green bonds have been subject to a look-through approach of their financed projects that ensured that they do not finance any activities excluded by the Paris-Aligned Benchmarks regulation related to thermal coal, (un)conventional oil and gas, and power generation from non-renewable sources (except nuclear).

For transition strategies

The general rule is that DPAM does not allow its transition strategies to invest in companies which do not comply with DPAM's controversial activities policy. However, **one exception** relates to use-of-proceeds bonds from issuers which do not comply with one or several of the rules mentioned in this controversial activities policy for transition strategies pertaining to:

- The exploration, mining, extraction, distribution or refining of **thermal coal** or the provision of dedicated equipment or services.
- The exploration or extraction of **unconventional oil and gas** or the provision of dedicated equipment or services.
- The exploration, extraction, refining and transport of **oil and gas**, or the provision of dedicated equipment or services.
- The **generation of power/heat** from non-renewable energy sources (except nuclear energy) or the provision of dedicated equipment or services.

In line with the ESMA's ESG funds' name guidelines, DPAM ensures that its transition strategies do not invest in use-of-proceeds bonds which are financing activities excluded by the **Climate Transition Benchmarks** as defined under the European Unions' Benchmarks regulation, based on a **look-trough approach.**

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[51] https://www.esma.europa.eu/publications-data/questions-answers/2368

16. Sovereign bonds specific exclusions

Criteria for exclusion

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

Developed markets universe:

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

Emerging markets universe:

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

16. Summary table of the exclusion applying to actively managed sustainable strategies

Exclusions applying to actively managed sustainable strategies: (↔corresponding to SFDR Art9 products and art8plus products*)*	**Exclusion thresholds**
Legally excluded controversial weapons, including: • Anti-personnel landmines (APL), cluster munitions (AM), and depleted uranium munitions and armours (DPU)[52] • Biological and/or Chemical weapons[53] (Involvement via activities and dedicated equipment and services) **Other controversial weapons, including:** • White Phosphorus weapons (Involvement via activities and dedicated equipment and services)	• Issuers classified as RED by ISS-ESG • Issuers classified as AMBER by ISS ESG[54].

[52] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines, applying from 21 May 2025 for existing funds.
[53] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines, applying from 21 May 2025 for existing funds.
[54] For white-phosphorus weapons: "unless the due diligence review invalidates the case."

Exclusions applying to actively managed sustainable strategies: (↔corresponding to SFDR Art9 products and art8plus products*)*	**Exclusion thresholds**
Nuclear weapons	**Issuers involved in the production, sale, storage of nuclear weapons of States Non-Party to the Treaty on the Non-Proliferation of Nuclear Weapons:** • ISS-ESG nuclear weapons outside of NPT RED **Issuers involved in the production, sale, storage of nuclear weapons of States signatory to the Treaty on Non-Proliferation of Nuclear Weapons but not members of NATO:** • ISS-ESG nuclear weapons inside NPT RED involved through non-NATO member programs. **Issuers involved in the production of nuclear warheads and/or whole nuclear missiles; or components that were developed and/ or significantly modified for exclusive use in nuclear weapons.** **Issuers deriving over 5% of total revenues from the production or sale of nuclear weapons, except revenues from ownership and dual use components as well as delivery platforms:** • >5% revenues **Nuclear weapons producers on the Don't Bank on the Bomb report/list.**
Other armaments (A&D, conventional, firearms)	**Aerospace and defence sector:** • Exclusion of **the whole sector** based on MSCI-GICS typology. **Conventional armaments (direct and dedicated equipment and services) as of:** • Revenue exposure > **5%** **Civilian firearms and ammunitions as of:** • Revenue exposure > **5%**

Exclusions applying to actively managed sustainable strategies: (↔corresponding to SFDR Art9 products and art8plus products)	**Exclusion thresholds**
Tobacco (Producers, suppliers, distributors, and retailers)	**Companies involved in the cultivation or production of tobacco:** • Revenue exposure **>0%**[55] Suppliers, distributors, and retailers: • Revenue exposure **≥5%**
Gambling	• Revenue exposure ≥ **10%**
Adult entertainment / pornography	• Revenue exposure ≥ **10%**
Thermal coal (Exploration, mining, extraction, distribution, or refining of thermal coal, hard coal, or lignite, or providing dedicated equipment or services)	**Actively managed sustainable strategies**[56]**:** • Revenue exposure > 0%[57]; • CAPEX (investments) in thermal coal-related products/services > 0. **Actively managed transition strategies**[58] [59] **of:** • Revenue exposure > 0%. • CAPEX (investments) in thermal coal-related products/services > 0.

[55] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines. In line with the ESMA guidelines, this rule will apply from 21 May 2025 for existing funds.
[56] Except Transition strategies.
[57] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines. In line with the ESMA guidelines, this rule will apply from 21 May 2025 for existing funds.
[58] The list of the concerned strategies can be provided on demand.
[59] Unless they meet the criteria in 'Exceptions to the Exclusion Rule on Thermal Coal, (un)Conventional Oil and Gas and on Electricity Generation.'

Exclusions applying to actively managed sustainable strategies: (↔corresponding to SFDR Art9 products and art8plus products)	**Exclusion thresholds**
Unconventional oil & gas (Exploration or extraction or distribution or refining or providing dedicated equipment or services)	**Actively managed sustainable strategies[60]:** • Revenue exposure > 5%[61] [62] • Companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels. • Companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing, or distribution of gaseous fuels. **Actively managed transition strategies[63] of:** • Revenue exposure >5% (unless they meet the exception criteria[64])
Conventional oil & gas (Exploration or extraction or distribution or refining or providing dedicated equipment or services)	**Actively managed sustainable strategies:** • Revenue > 5%[65] • Companies that derive 10% or more of their revenues from the exploration, extraction, distribution or refining of oil fuels. • Companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing, or distribution of gaseous fuels[66] **Actively managed transition strategies[67]:** • Revenue > 5% (unless they meet the exception criteria[68])

[60] Except Transition strategies.
[61] Based on the activities listed in the left cell.
[62] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines. In line with the ESMA guidelines, this rule will apply from 21 May 2025 for existing funds.
[63] The list of the concerned strategies can be provided on demand.
[64] Unless they meet the criteria in 'Exceptions to the Exclusion Rule on Thermal Coal, (un)Conventional Oil and Gas and on Electricity Generation.'
[65] Based on the activities listed in the left cell.
[66] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines. In line with the ESMA guidelines, this rule will apply from 21 May 2025 for existing funds.
[67] The list of the concerned strategies can be provided on demand.
[68] Unless they meet the criteria in 'Exceptions to the Exclusion Rule on Thermal Coal, (un)Conventional Oil and Gas and on Electricity Generation.'

Exclusions applying to actively managed sustainable strategies: (↔corresponding to SFDR Art9 products and art8plus products)	**Exclusion thresholds**
Electricity generation from fossil-fuels & non-renewable energy sources (except Nuclear)	**Actively managed sustainable strategies:** • Revenue: Companies deriving more than 10% of their revenue from coal power generation. • Production & capacity: Companies whose coal-fired electricity production > 10% of total electricity production AND with 5 GW or more of thermal coal power generation capacity. • CAPEX: Companies developing or planning to develop new thermal coal power generation capacity i.e., coal power generation Capex >0. • Companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO^2 e/kWh[69] • Carbon intensity ($gCO2/kWh$) above yearly thresholds defined above. • Coal-based power generation capacity as percentage of total power generation capacity below 10%. **Actively managed transition strategies[70] [71]:** • Revenue: Companies deriving more than 10% of their revenue from coal power generation. • Production & capacity: Companies whose coal-fired electricity production > 10% of total electricity production AND with 10 GW or more of thermal coal power generation capacity. • CAPEX: Companies developing or planning to develop new thermal coal power generation capacity i.e., coal power generation Capex >0. • Carbon intensity (gCO_2/kWh) above yearly thresholds defined above. • Coal-based power generation capacity as percentage of total power generation capacity below 10%.

[69] Please note that this exclusion is relevant in the context of ESMA funds' names guidelines. In line with the ESMA guidelines, this rule will apply from 21 May 2025 for existing funds.
[70] The list of the concerned strategies can be provided on demand. This exception does NOT apply to sustainable strategies.
[71] Unless they meet the criteria in 'Exceptions to the Exclusion Rule on Thermal Coal, (un)Conventional Oil and Gas and on Electricity Generation.'

Exclusions applying to actively managed sustainable strategies: (↔corresponding to SFDR Art9 products and art8plus products)	**Exclusion thresholds**
Palm oil production and deforestation (Producers, i.e., growers and plantation operators)	• Share of RSPO-certified plantations in total number of plantations < 50%

Exclusions applying to SFDR Art 8plus and Art 9 sovereign bonds	**Exclusion thresholds**
Democratic requirements	• Both rules: Non free according to Freedom House and Authoritarian regimes from Democracy index • Additional criteria for developed markets: Exclusion of countries whose violation of international treaties is formally recognised by several international governance bodies and as such by the CSAB.

IX. Controversial activities exclusions applying to actively managed strategies applying for the Towards Sustainability Quality Standard

This section covers the restrictions applying to strategies applying for the Febelfin Towards Sustainability "Quality Standard" label. As a result, the investment restrictions mentioned here are defined in such a way as to be identical to the criteria adopted by the Quality Standard. It is possible that an update of the restrictions required by the Quality Standard has not yet been added to this policy. If this is the case, these restrictions will only apply to the relevant strategies once they have been incorporated into this controversial activities policy. This version of the controversial activities policy reflects the criteria for obtaining the 2023 version of the Quality Standard.

Please also note that the investment restrictions mentioned in this section do not replace the restrictions mentioned in the previous sections relating to conventional and sustainable funds respectively. Thus, in the case of an actively managed sustainable fund applying for the label, this fund will be subject to both the restrictions mentioned in section VIII of this policy, AND the restrictions specific to the Towards Sustainability label, as mentioned in this section X of this policy.

1. Tobacco

DPAM exclusion on tobacco	Exclusion thresholds
For strategies applying for the Febelfin Towards Sustainability "Quality Standard" label (↔corresponding to SFDR Art9 and art8plus products)	**Scope: Producers of tobacco, tobacco products or e-cigarettes; Wholesale trading of tobacco products or e-cigarettes:** • The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable. • And the company shall derive less than 5% of its revenues from the activities mentioned in the scope section above. • And the company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of the activities mentioned in the scope section above.

2. Weapons

DPAM exclusion on weapons	Exclusion thresholds
For strategies applying for the Febelfin Towards Sustainability "Quality Standard" label (↔corresponding to SFDR Art9 and art8plus products)	**Scope: Manufacturers of weapons[72] or tailor-made components thereof; companies involved in the sale of weapons:** • The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable. • And the company shall have no activity in manufacturing or in manufacturing tailor-made components, using, repairing, putting up for sale, selling, distributing, importing, or exporting, storing, or transporting controversial or indiscriminate weapons such as: anti-personnel mines, submunitions, inert ammunition and armour containing depleted uranium or any other industrial uranium, weapons containing white phosphorus, biological, chemical, or nuclear weapons. • And the company shall derive less than 5% of its revenues from activities mentioned in the scope section above. • And the company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of activities mentioned in the scope section above.

[72] In this context a weapon can tentatively be defined as any implement or device expressly designed for the purpose of causing material damage, inflicting physical or mental harm, or to kill, in the context of a (military) conflict.

3. Coal

DPAM exclusion on coal	Exclusion thresholds
For strategies applying for the Febelfin Towards Sustainability "Quality Standard" label (↔corresponding to SFDR Art9 and art8plus products)	**Scope: Companies involved in thermal coal prospecting or exploration; Extraction/mining of thermal coal; Processing of thermal coal; Transportation of thermal coal:** • The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable. • And the company shall currently not be involved in coal exploration, and not be involved in the exploitation or development of new coal mines. • And the company's absolute coal production or capacity for activities mentioned in the scope section above, shall not be increasing. • And the company shall meet at least one of the following criteria: ▪ Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment. ▪ Or have an annual thermal coal production less than 10Mt and derive less than 5% of its revenues from activities mentioned in the scope section above. For transportation, the revenue threshold is 10%. ▪ Or have more than 50% of Capex dedicated to contributing activities. • And the company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of activities mentioned in the scope section above.

4. Unconventional oil & gas

DPAM exclusion on unconventional oil & gas	Exclusion thresholds

For strategies applying for the Febelfin Towards Sustainability "Quality Standard" label
 	
(↔corresponding to SFDR Art9 and art8plus products)
	Scope: Companies involved in unconventional oil and gas prospecting or exploration; the extraction of unconventional oil and gas[73]:
	
	• The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.
	• And the company shall currently not be involved in exploration, and not be involved in exploitation or development of new unconventional oil or gas fields.
	• And the company's absolute production of unconventional oil and gas or capacity for activities, shall not be increasing.
	• And the company shall meet at least one of the following criteria:
	  ▪ Have a SBTi target set at well-below 2°C or 1.5°C or have mentioned in the scope section above a SBTi 'Business Ambition for 1.5°C' commitment.
	  ▪ Or derive less than 5% of its revenues from activities mentioned in the scope section above.
	  ▪ Or unconventional oil and gas production is less than 5% of total oil and gas production.
	  ▪ Or have more than 50% of Capex dedicated to contributing activities.
	• And the company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of activities mentioned in the scope section above.

[73] This includes tar sands oil, coalbed methane, extra heavy oil, and Arctic oil & gas, as well as oil & gas from unconventional production methods such as fracking or ultra deep drilling.

5. Conventional oil & gas

DPAM exclusion on conventional oil & gas	Exclusion thresholds
For strategies applying for the Febelfin Towards Sustainability "Quality Standard" label (↔corresponding to SFDR Art9 and art8plus products)	**Scope: Companies involved in oil or gas prospecting or exploration; extraction of oil or gas; processing or refining of oil or gas (except oil to chemicals); transportation of oil (not distribution):** • The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable. • And the company shall currently not be involved in exploration, and not be involved in exploitation or development of new oil or gas fields. • And the company shall meet at least one of the following criteria: ▪ Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment. ▪ Or have an emissions intensity aligned with 1.5°C target (e.g., TPI: 55,75 gCO2e/MJ in 2023, or other science-based alignment assessment). ▪ Or derive less than 5% of its revenues from activities mentioned in the scope section above. ▪ Or have less than 15% of Capex dedicated to activities mentioned in the scope section above, and not with the objective of increasing revenue. ▪ Or have more than 15% of Capex dedicated to contributing activities. • And the company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of activities mentioned in the scope section above.

6. Power generation

DPAM exclusion on power generation	Exclusion thresholds

For strategies applying for the Febelfin Towards Sustainability "Quality Standard" label

(↔corresponding to SFDR Art9 and art8plus products)

Scope: Companies involved in generation of power or heat from non-renewable energy sources:

- The company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable.
- And the company shall currently not be involved in building new coal-fired power stations.
- And the company's absolute production of or capacity for coal-based power shall not be structurally increasing and be less than 5 GW.
- And the company shall meet at least one of the following criteria:
    - Have a SBTi target set at well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment.
    - Or have a carbon intensity aligned with 1.5°C target (e.g., TPI: 0,348 tCO_2e/MWh in 2023, or other science-based alignment assessment).
    - Or derive less than 5% of its revenues from activities mentioned in the scope section above.
    - Or derive more than 50% of its revenues from contributing activities.
    - Or have more than 50% of Capex dedicated to contributing activities.
- Or "Phase-out margin" approach: Some companies performing activities mentioned in the scope section above, currently do not yet meet the transition-related eligibility criteria mentioned just above but are nevertheless within the best of their peer group in transitioning their business model. A sustainable financial product can finance these companies selectively and to a limited extent, under the following conditions:
    - The total portfolio exposure to non-compliant companies is < 5%. This margin will decrease by 1pp (percentage point) per year as of 1/1/2023.
    - And, additionally, companies in this margin shall be subject to a best-in-class selection that selects from the 25% highest ESG-rated companies ('leaders'), with special attention to sustainable energy transition.
    - And companies in this margin shall still meet the governance and non-expansion eligibility criteria:
        - The company shall currently not be involved in building new coal-fired power stations.
        - And the company's absolute production of or capacity for coal-based power shall not be structurally increasing and be less than 5 GW.
    - And portfolios using the phase-out margin, shall reduce it to 0% by 30/6/2025.
- Or "Grandfathering" approach: Until 2025, electricity utilities with a carbon intensity lower than the annual thresholds below and that are not structurally increasing coal- or nuclear-based power generation capacity, are eligible[74]:

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

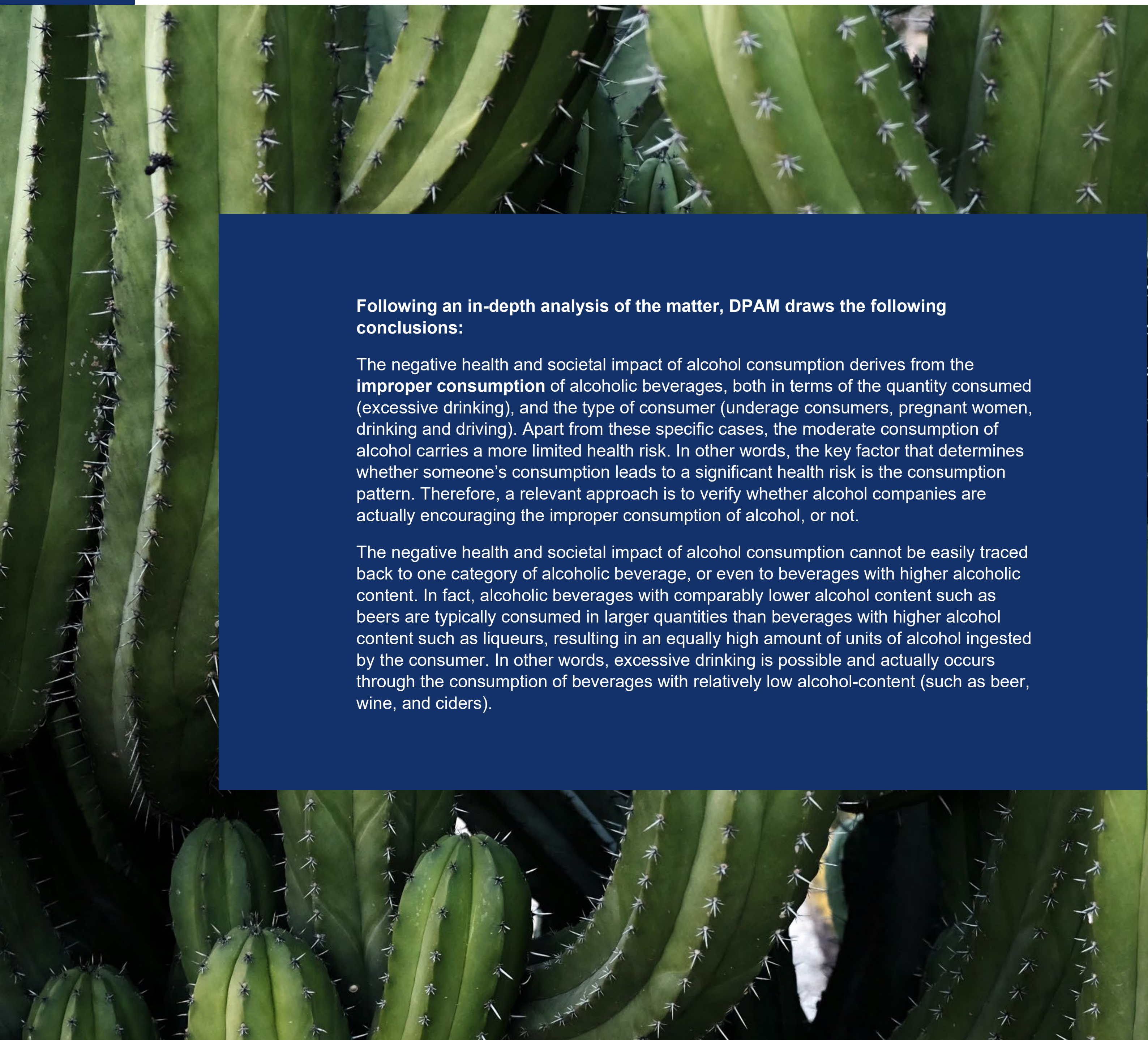
[74] NB: increase of nuclear-based power generation is not eligible if using grandfathering. Nuclear-based power generation is not considered a 'contributing activity'.

7. Alcohol

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

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

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



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

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

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

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

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

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

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

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

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

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

X. Controversial behaviour exclusions applying to actively managed mainstream and sustainable strategies

The reputation of DPAM's investments might be affected by the type of economic activities it invests in but also by the **behaviour of the investee companies**. DPAM is committed to defend fundamental rights for example, human rights, labour rights, anti-corruption, and environmental protection. Furthermore, DPAM is committed to reduce its negative impact by avoiding activities or behaviour which can significantly harm sustainable and inclusive growth as promoted by the European Commission's 2030-2050 Programme and endanger DPAM's commitment to the Net Zero Asset Managers initiative.

Hence, from a controversial behaviour viewpoint, DPAM assesses companies on:

- Compliance with Global Standards (normative screening)
- Severity of controversies faced (controversial behaviour)

1. Recognised Global Standards (Incl. United Nations Global Compact, and other standards)

DPAM reviews the compliance of its sustainable strategies (defined as SFDR art.9 and art.8plus), and of its Mainstream SFDR art.8 strategies, with recognised Global Standards[75].

The best-known Global Standard is probably the United Nations Global Compact. Launched in 2004, the United Nations Global Compact principles have quickly established themselves as the reference framework for normative sustainability screenings. Hence, in 2018, 42% of European sustainable strategies applying a normative screening were based on the ten principles of the United Nations Global Compact[76]. DPAM fully endorses the ten principles, as evidenced by the fact that all DPAM's sustainable funds apply a normative filter including the U.N. Global Compact (as well as other standards such as ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and underlying conventions and treaties).

Therefore, DPAM excludes from its actively managed funds[77] classified as SFDR art.9, SFDR art.8plus and SFDR art.8 all issuers which are not compliant with the recognised Global Standards i.e., U.N. Global Compact, ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and underlying conventions and treaties. Therefore, if either Sustainalytics or MSCI-ESG consider that an issuer is non-compliant, the issuer is excluded. In other words, DPAM does not require both Sustainalytics and MSCI-ESG to declare an issuer non-compliant. One source is enough to trigger the exclusion.

The recognised Global Standards also play an essential role in ensuring that sustainable investments respect the SFDR's "*do not significantly harm*" principle in their environmental and/or social objectives. Therefore, DPAM excludes issuers which are not compliant with the recognised Global Standards for all DPAM actively managed portfolios[78] falling in the scope of article 9 SFDR, of article 8 plus SFDR or of article 8 SFDR. In the event that DPAM declares the issuer ineligible, the portfolio manager will sell the investment concerned in the interest of the shareholders of the sub-fund within three months, from the date of the final decision of SFDR ineligibility.

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

For all DPAM actively managed strategies classified under the “others” SFDR category, and for all DPAM index-tracking strategies[79], DPAM monitors the alignment of the portfolios with the recognised Global Standards. However, this monitoring does not trigger any systematic exclusion or any formal portfolio management constraint. Consequently, it remains possible for portfolio managers to invest in securities that do not comply with them. Nonetheless, DPAM encourages its portfolio managers to take these criteria into account. Moreover, for some DPAM index-tracking strategies, the benchmark may already exclude companies/issuers which are not compliant with Global Standards.

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

DPAM exclusion on Global Standards (i.e., Global Compact, OECD Guidelines, and ILO Standards)	**Exclusion thresholds**
For actively managed mainstream and sustainable strategies (↔corresponding to SFDR Art8, Art 8plus and Art9 products)	• UN Global Standards non-compliance/failure[80] (Sustainalytics or MSCI ESG)

[79] Within the framework of this policy (see section 2 on its Scope).
[80] Please note that this exclusion is relevant in the context of ESMA funds’ names guidelines, applying from 21 May 2025 for existing funds.

2. Other controversial behaviour

Beyond the normative screening looking at Global Standards compliance, DPAM also assesses companies based on the allegations they (might) face in relation to ESG controversies as controversies serve as an important indicator of the effectiveness of ESG-related policies and programs.

Once a company is linked to a potential controversy, it will be sorted into the relevant controversy category. For each category of controversy, our provider Sustainalytics assesses relevant data and will attribute a severity score. The severity of an allegation or how controversial the activity of the company is, is determined based upon the impact, nature, scope, and recurrence of the incident in addition to the response of the company, the responsibility of the management and the overall CSR policies and practices that are in place in the company. Depending on the degree of severity, the controversy category is ranked from none or category 1 (minor controversies) to category 5 (the highest level). This scoring is reviewed every two weeks.

Companies facing a controversy category 5 are excluded from DPAM's actively managed funds[81] classified as SFDR art.9, SFDR art.8plus and SFDR art.8. As DPAM is an active, sustainable, research-driven investor, the RICC with the assistance of the research and portfolio management teams, performs an analysis of level 3 with negative outlook and level 4 controversies. It is essential to understand what is behind the controversy and whether other weaknesses, in terms of corporate governance for example, may undermine the sustainable growth of the issuer. For this, DPAM relies on additional sources of information available on the companies for example MSCI ESG Research, Sustainalytics and brokers, for example. Based on this information and discussion with the company and the research providers, the case will be submitted to the relevant governance body – the SRI Steering Group.

DPAM exclusion on controversial behaviour	Exclusion thresholds
For actively managed mainstream and sustainable strategies (↔corresponding to SFDR Art8, Art 8plus and Art9 products)	• Controversy category 5 (Sustainalytics) • DPAM SRI Steering Group decision

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

XI. Alignment of exclusions with ESMA's Final Report on guidelines on funds' names using ESG or sustainability-related terms

In May 2024, ESMA published its final report on guidelines on fund's names using ESG or sustainability-related terms. The guidelines apply to UCITS management companies, including any UCITS which has not designated a UCITS management company, Alternative Investment Fund Managers including internally managed AIFs, EuVECA, EuSEF and ELTIF and MMFs managers as well as competent authorities. In essence, this means minimum criteria are defined for funds using ESG or sustainability-related terms in their fund name. The guidelines differentiate between:

- Funds using **sustainability-related** terms, requiring exclusion of investment in companies aligned with the rules applicable to **Paris-aligned Benchmarks or PAB** (referred to in Article 12(1)(a) to (g) of CDR (EU) 2020/1818).
- Funds using **environmental- or impact-related terms**, requiring exclusion of investment in companies aligned with the rules applicable to **Paris-aligned Benchmarks or PAB** (referred to in Article 12(1)(a) to (g) of CDR (EU) 2020/1818).
- Funds using **transition-, social- and governance-related terms**, requiring exclusion of investment in companies aligned with the rules applicable to **Climate Transition Benchmarks** or CTB (referred to in Article 12(1)(a) to (c) of CDR (EU) 2020/1818).

Application date for existing funds: please note that for existing funds, the ESMA ESG funds' name guidelines will apply from 21 May 2025. New funds launched from 21 November 2024 must comply.

Alignment of DPAM exclusions and the ESMA guidelines:

Scope	Defined rules	Rule	DPAM alignment	Reference
Sustainability-related, environment, impact, transition, social, governance terms.	CTB and PAB	companies involved in any activities related to **controversial weapons**	Yes, direct involvement and revenue threshold	See sections on Anti-Personnel Landmines, Cluster Munitions, Depleted Uranium Munitions and armours, Biological & Chemical Weapons, applying to transition and sustainable funds (VIII. 1.-2.).
Sustainability-related, environment, impact, transition, social, governance terms.	CTB and PAB	companies involved in the cultivation and production of **tobacco**	Yes, revenue threshold set at >0%	See section on Tobacco, applying to transition and sustainable funds (VIII. 6.)
Sustainability-related, environment, impact, transition, social, governance terms.	CTB and PAB	companies that benchmark administrators found in violation of the **United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises**	Yes, exclusion of non-compliant companies	See section on Controversial Behaviour Exclusions, applying to Actively managed Mainstream and sustainable Strategies > 1. Recognized Global Standards (Incl. United Nations Global Compact, And Other Standards) (X. 1.)

Scope	Defined rules	Rule	DPAM alignment	Reference
Sustainability-related, environment, impact terms	PAB	companies that derive 1 % or more of their revenues from exploration, mining, extraction, distribution or refining of **hard coal and lignite**	Yes, revenue threshold set at 0% + no capex	See section on Thermal coal, applying to transition and sustainable funds (VIII. 9.)
Sustainability-related, environment, impact terms	PAB	companies that derive 10 % or more of their revenues from the exploration, extraction, distribution or refining of **oil fuels**	Yes, sector exclusions + revenue threshold set at 5% for conventional oil & gas, and 10% for oil.	See sections on unconventional and conventional oil and gas, applying to transition and sustainable funds (VIII. 10.-11.)
Sustainability-related, environment, impact terms	PAB	companies that derive 50 % or more of their revenues from the exploration, extraction, manufacturing, or distribution of **gaseous fuels**	Yes, sector exclusions + revenue threshold set at 5% for oil & gas (extraction, transport, and manufacturing) and 50% for gaseous fuels (distribution)	See sections on unconventional and conventional oil and gas, applying to transition and sustainable funds (VIII. 10.-11.)
Sustainability-related, environment, impact terms	PAB	companies that derive 50 % or more of their revenues from **electricity generation** with a GHG intensity of more than 100 g CO2 e/kWh	Yes, but via proxy based on EU taxonomy aligned revenues or capex.	See section on “Electricity Generation from Fossil Fuels & Non-Renewable Energy Sources (except nuclear energy)”, applying to transition and sustainable funds (VIII. 12.)

For other ESMA ESG funds’ name guidelines requirements, please refer to the Pre-Contractual-Disclosure of each fund. For the specific case of Green Bonds and Use of Proceed Bonds, we align with ESMA guidelines as clarified in December 2024. For more details, please refer to the “Use of proceeds bonds” section under the chapter VIII.

XII. Other controversial activities and sustainability issues

DPAM considers it part of its fiduciary duty to monitor and analyse several contentious sectors and business activities, as well as some controversial corporate practices. Therefore, the RICC, the centre of expertise at DPAM for sustainable finance, continuously monitors developments in sustainable finance, and regularly updates DPAM's position on these contentious topics. In this section, we outline DPAM's position on several sectors and sustainability topics. While DPAM does not, for now, generally apply any hard exclusions to these activities and topics for its actively managed strategies, the RICC closely monitors them.

1. Nuclear energy

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

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

Nuclear energy can be considered controversial primarily due to safety concerns, its environmental impact (i.e., nuclear waste) and because of its significant economic cost (i.e., initial investment, cost of decommissioning[82], storage costs, and the potential costs in case of an accident). The safety aspects are probably the main opposing factor against the development of nuclear power. Incidents affecting nuclear power plants ("NPPs") such as the Chernobyl and Fukushima Daiichi disasters can release large amounts of ionizing radiation which could have a potentially catastrophic impact on populations' health, over very large areas and for very long periods of time. Taking these risks into consideration, several governments took decisions to fully phase-out (e.g., Austria and Italy) or gradually phase-out (e.g., Germany, Switzerland) all nuclear reactors on their territory. Divestment from nuclear power also gained traction, and in 2018, nuclear power was the sixth most commonly excluded activity within the European Sustainable Investment industry[83]. Hence, utility companies with nuclear power assets are often excluded from sustainable investment portfolios. But at the same time, nuclear power can potentially help to mitigate global warming and to preserve the security of supply regardless of geopolitical issues. A variety of arguments can support this view:

1. From a pure climate change perspective, nuclear energy can be considered an interesting option as it is **one of the least carbon-intensive sources of electricity**. According to the International Energy Agency (IEA), the world's approximately 450 existing nuclear power plants, providing 11% of the global energy supply, prevent the emission of about 1.3 to 2.6 billion tons of carbon dioxide, annually [84]. Decommissioning these plants could make it harder to achieve climate goals. Hence,

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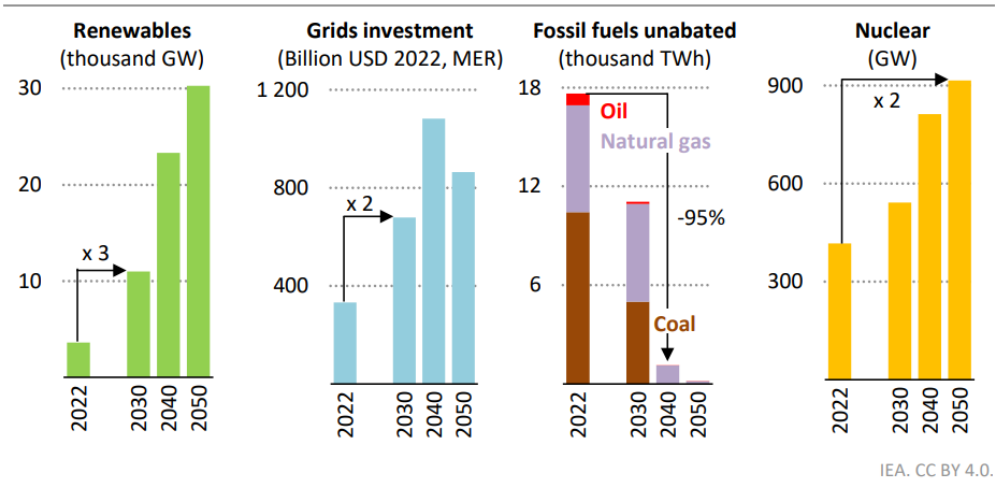
[82] Decommissioning of a nuclear power plant is the dismantlement to the point that it no longer requires measures for radiation protection.
[83] Eurosif European SRI study 2018: http://www.eurosif.org/wp-content/uploads/2018/11/European-SRI-2018-Study-LR.pdf
[84] The annually prevented emissions are estimated assuming the replacement of gas- or coal-powered plants, respectively.

the Climate Bond Initiative categorises nuclear power plants as 'automatically compatible with a 2 C° decarbonisation trajectory'.

2. According to the IEA's 2015 Technology Roadmap, by 2050, 930 Gigawatts of gross nuclear capacity will be needed globally to **meet** expected **energy needs** and to **achieve** the ambitious carbon emission **reduction targets** agreed in the aftermath of COP21 and COP22 (assuming over 80% of generated electricity will need to be low carbon by 2050). This means that the current installed nuclear power generation capacity must more than double by 2050. Although the required share of nuclear energy in the future energy supply varies from one scenario to another, each of the most widely accepted scenarios includes a share of nuclear power (e.g., IEA SDS, IEA WEO 450, IEA New Policies, ETP 2DS, Deep Decarbonization Pathways Project, IRENA REmap)[85].

The IEA NZE roadmap (Sept.23 update) requires the worldwide nuclear capacity to more than double by 2050.

Figure 2.15 ▷ Key milestones for the electricity sector in the NZE Scenario, 2022-2050



Renewables capacity triples and grid investment doubles by 2030, unabated coal is phased out by 2040 in the NZE Scenario and nuclear capacity more than doubles by 2050

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

3. Nuclear power is an **economically rational option** for governments when considering the energy transition. In a study by the MIT Energy Initiative, the authors stated that the cost of achieving deep decarbonisation targets increases significantly when nuclear energy is excluded from the global energy supply mix. This puts into perspective the significant initial investments required to build NPPs [86].

4. Nuclear energy provides a **reliable, stable** base load of energy, which is required for the stability of the electricity grid[87]. Renewables are intermittent, providing fluctuating energy supply (e.g., variation in wind speed and solar exposure) which generally cannot provide base load power supply on a constant basis (and even less meet the peaks in energy demand). In addition, current grid infrastructures are already encountering difficulties in accommodating intermittent renewables. Furthermore, current energy storage solutions are not yet sufficient to tackle this supply issue. For these reasons, using nuclear energy as a reliable source of base load energy supply still cannot be ruled out. Opponents of nuclear energy often suggest that gas-powered plants are an alternative since they can function as a backup source to smooth-out the intermittent power generation from renewables[88], and as gas power-plants ramp up more easily (i.e., function as flexible, quickly dispatchable power sources). However, as the nameplate (installed) renewable-power generation capacity is currently relatively low (e.g., 20-40% for wind energy [89]), backup power plants need to be able to provide up to 60-80% of the energy. This means the gas-powered plants would temporarily function as the main supplier of energy and renewables would only act as some sort of 'fuel-savers'. In addition, looking at the whole supply-chain for gas power plants, methane leakages during gas transportation can contribute significantly to global warming, as methane has a global warming potential 28 times higher than that of carbon dioxide. From a climate change perspective, the greenhouse gas emissions induced by a large-scale reliance on gas power plants would simply be incompatible with the required target of limiting global warming to 1.5°C above pre-industrial levels. Hence, nuclear power remains an interesting energy source as it is **emission free** and **reliable (i.e., base load)**, making it central to the envisioned energy transition (at least as a technology to facilitate the transition, over the next 10 to 20 years, while we await technological innovation and increased renewable capacity). We believe **diversification** among energy sources is key to facilitating the transition and to securing future low-carbon energy supply, by delivering sufficient base load and back-up, while integrating a high proportion of renewables and renewable energy storage solutions.

5. NPPs have a **limited spatial footprint**. Compared to a wind farms or solar photovoltaic power plants, nuclear power plants occupy significantly less space. Bearing in mind the challenges concerning land use for agricultural or ecological purposes, this argument favours nuclear over renewables. However, as stated above, diversification in the future energy supply mix is still key.

6. The most recent NPP delivers a higher level of safety and a higher efficiency, which helps to reduce waste generation. Yet, until recently, the prospects for new NPPs were limited as the **economics** of **renewables** had become **increasingly attractive**.

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

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

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

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

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

out nuclear energy are likely to hamper developments in nuclear technology which might slow down the required decarbonisation of the power generation sector.

DPAM's point of view and rule

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

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

Taking these arguments into account, for **sustainable actively managed strategies**, DPAM has decided not to exclude issuers that operate nuclear power plants or sell nuclear energy, nor to exclude those issuers that manufacture or sell specific components for the purposes of generating nuclear energy. Consequently, there is no nuclear energy exclusion in force at DPAM level, either for actively managed sustainable strategies or for actively managed conventional strategies.

Nonetheless, DPAM's portfolio managers, analysts and the RICC monitor the key ESG indicators associated with nuclear power plants (e.g., safety-related indicators such the average age of the nuclear fleet, safety policies and programs, safety track record, etc.), to ensure that investee companies manage these risks responsibly. When needed, DPAM also engages directly with the investee companies, external analysts, and sector experts, to monitor material ESG risks associated with nuclear power plants.

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

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

DPAM exclusion on nuclear energy	Exclusion thresholds
For actively managed sustainable strategies (↔corresponding to SFDR Art9 and art8plus products)	**All issuers:** • Monitoring of key ESG risks

2. GMOs / biotechnologies

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

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

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

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

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

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

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

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

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

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

3. Paper pulp

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

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

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

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

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

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

4. Investing in agricultural food commodities

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

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

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

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

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

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

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

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

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

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

5. Death penalty

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

6. International sanctions

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

1. defend fundamental rights;
2. ensure we are not an accomplice of controversial behaviour;
3. promote best practices and efforts.

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

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

7. Human rights and labour rights

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

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

Companies/issuers which are repeatedly involved in human rights or labour rights violations, and / or which are involved in severe violations of human rights or labour rights, are excluded from all actively managed strategies[90] classified as SFDR article 9, article 8 plus and article 8, through DPAM's ESG controversy screening.

DPAM's approach notably (but not exclusively) covers the following human rights and labour rights aspects:

- Gender and diversity;
- Controversial involvement with the governments of oppressive regimes;
- Reported involvement with the death penalty.

The respect of human rights and labour rights plays a key role in ensuring that sustainable investments, within the meaning of the SFDR, "do not significantly harm" their environmental and social objectives. From this perspective, DPAM excludes these companies – i.e., companies repeatedly involved in human rights or labour rights violations, and/or involved in severe violations of these rights – from all DPAM actively managed strategies[91] falling in the scope of article 9 SFDR, of article 8 plus

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

SFDR and of article 8 SFDR. In the event that the issuer is declared ineligible, the portfolio manager will sell the investment concerned in the interest of the shareholders of the sub-fund within three months, from the date of the final decision of ineligibility.

For all DPAM actively managed strategies classified under the “others” SFDR category, and for all DPAM index-tracking strategies[92], DPAM is monitoring the exposure of the portfolios to companies involved in repeated and/or severe ESG controversies, including in human rights or labour rights violations. However, this monitoring does not trigger systematic exclusion or any formal portfolio management constraint. Consequently, it remains possible for portfolio managers to invest in securities that do not comply with them. Nonetheless, DPAM encourages its portfolio managers to take these criteria into account. Moreover, for some DPAM index-tracking strategies, the benchmark may already exclude companies/issuers which are not compliant with human rights and labour rights.

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

8. Environmental damages

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

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

Regarding corporations, their commitment to respecting and preserving the environment is also assessed and they are taken into account in the calculation of their global sustainability score. Environmental criteria are defined for each sector in order to assess whether companies are addressing the environmental challenges relevant to their sector of activity.

Companies/issuers repeatedly involved in causing significant environmental damage, and / or involved in in causing severe environmental damage, are excluded from all DPAM actively managed strategies[93] classified as SFDR article 9, article 8 plus and article 8, through DPAM’s ESG controversy screening.

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

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

The protection of the environment in general, and the avoidance of environmental damage are key principles in DPAM’s effort to ensure that sustainable investments, within the meaning of the SFDR, “do not significantly harm” their environmental and social objectives. From this perspective, DPAM excludes these companies – i.e., companies repeatedly involved in significant environmental damage – from all DPAM’s actively managed strategies[94] falling in the scope of article 9 SFDR, of article 8 plus SFDR and of article 8 SFDR. In the event that the issuer is declared ineligible, the portfolio manager will sell the investment concerned, in the interest of the shareholders of the sub-fund, within three months, from the date of the final decision of ineligibility.

[92] Within the framework of this policy (see section 2 on its Scope).
[93] Within the framework of this policy (see section 2 on its Scope).
[94] Within the framework of this policy (see section 2 on its Scope).

For all DPAM actively managed strategies classified under the "others" SFDR category, and for all DPAM index-tracking strategies, DPAM monitors the exposure of the portfolios to companies involved in repeated and/or severe ESG controversies, including those concerning environmental damage. However, this monitoring does not trigger any systematic exclusion or any formal portfolio management constraint. Consequently, it remains possible for portfolio managers to invest in securities that do not comply with them. Nonetheless, DPAM encourages its portfolio managers to take these criteria into account. Moreover, for some DPAM index-tracking strategies, the benchmark may already exclude companies/issuers which are repeatedly involved in significant environmental damages.

9. Corruption

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

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

Regarding corporations, the measures taken to prevent corruption are taken into consideration for all sectors. Companies/issuers repeatedly involved into corruption or bribery cases, and / or involved in severe instances of corruption or bribery, will be excluded from all DPAM actively managed strategies[95] classified as SFDR article 9, article 8 plus and article 8, by mean of DPAM's ESG controversy screening.

The avoidance and mitigation of corruption and bribery in all forms is a core principle in DPAM's effort to ensure that sustainable investments, in the meaning of the SFDR, "do not significantly harm" their environmental and social objectives. From this perspective, DPAM excludes these companies – i.e., companies repeatedly involved in significant alleged cases of corruption or bribery – from all DPAM actively managed strategies[96] falling in the scope of article 9 SFDR, of article 8 plus SFDR and of article 8 SFDR. In the event that the issuer is declared ineligible, the portfolio manager will sell the investment concerned in the interest of the shareholders of the sub-fund within three months, from the date of the final decision of ineligibility.

For all DPAM actively managed strategies classified under the "others" SFDR category, and for all DPAM index-tracking strategies[97], DPAM is monitoring the exposure of the portfolios to companies involved in repeated and/or severe ESG controversies, including those concerning corruption or bribery. However, this monitoring does not trigger any systematic exclusion or any formal portfolio management constraint. Consequently, it remains possible for portfolio managers to invest in securities that do not comply with them. Nonetheless, DPAM encourages its portfolio managers to take these criteria into account. Moreover, for some DPAM index-tracking strategies, the benchmark may already exclude companies/issuers which are repeatedly involved in significant alleged cases of corruption or bribery.

10. Taxation

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

However, the actual exchange of tax information is not yet optimal. That is why the OECD has created the "Global Forum on Transparency and Exchange of Information for Tax Purposes Blacklist". Any jurisdiction on the blacklist is exposed to potential tax sanctions, imposing higher taxes on the inflows

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[95] Within the framework of this policy (see section 2 on its Scope).
[96] Within the framework of this policy (see section 2 on its Scope).
[97] Within the framework of this policy (see section 2 on its Scope).

and outflows on their territory. That is why tax transparency is so important for companies/issuers, so that their potential exposure to this risk can be analysed.

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

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

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

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

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

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

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

11. Corporate governance

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

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

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

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

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

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

12. Animal rights

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

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

13. Exclusion list from the Norwegian Government Pension Fund Global

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

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

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

XIII. Controversial activities exclusions applying to index mainstream strategies, index ESG leaders/selection[98] strategies, and index sustainable strategies.

1. Summary table of the controversial activities exclusion applying to index mainstream strategies

In addition to any exclusions applied by the providers of the relevant benchmark indices when constructing these indices, DPAM applies the following additional exclusion filters to all Mainstream index funds falling within the scope of this policy:

Exclusions applying to index mainstream strategies: (↔corresponding to SFDR Art6 products and to "other")	**Exclusion thresholds**
Legally excluded Controversial weapons, including: • Anti-personnel landmines (APL), cluster munitions (AM), and depleted uranium munitions and armours (DPU) • Biological and/or Chemical weapons (Involvement via activities and dedicated equipment and services)	• Issuers classified as RED by ISS-ESG
Nuclear weapons	• Revenue exposure of directly[99] Involved issuers >=10% (based on MSCI-ESG data).
Tobacco	**Producers:** • Revenue exposure ≥ 5% **Suppliers, distributors, and retailers:** • Revenue exposure ≥ 15%

[98] Please note that, concerning Index funds, MSCI is aligning methodologies and index names, in line with the ESMA ESG funds' name guidelines.
[99] For an explanation of direct vs indirect involvement, please refer to the section about Nuclear Weapons, within the Section dedicated to sustainable strategies.

Exclusions applying to index mainstream strategies: (↔corresponding to SFDR Art6 products and to “other”)	Exclusion thresholds
Thermal Coal (extraction)	**All issuers:** • Revenue exposure **≥ 30%** Aligned with the active strategies, companies with a validated SBT or Capex linked to contributing activities >50% are exempt. • Companies/issuers falling into the Sustainalytics sub-industry “Coal”, are excluded.
Electricity generation from fossil fuels & non-renewable energy sources (except nuclear energy) (Coal-based power generation)	Revenue exposure **≥ 30%**

2. Summary table of the controversial activities exclusion applying to index ESG leaders/selection[100] strategies

In addition to any exclusions applied by MSCI-ESG when constructing these ESG Leaders/Selection[101] indices, DPAM applies the following additional exclusion filters to all ESG Leaders/Selection[102] index funds falling within the scope of this policy:

Exclusions applying to Index ESG Leaders/Selection[103] strategies: (↔corresponding to SFDR Art8 products)	**Exclusion thresholds**
Controversial business involvement criteria according to MSCI ESG Leaders/Selection[104] indexes methodology.	• **The latest version of the exclusion thresholds is available:** https://www.msci.com/index/methodology/latest/ESG
Legally excluded controversial weapons, including: • Anti-personnel landmines (APL), cluster munitions (AM), and depleted uranium munitions and armours (DPU) • Biological and/or Chemical weapons (Involvement via activities and dedicated equipment and services)	• Issuers classified as RED by ISS-ESG

[100] Please note that, concerning Index funds, MSCI is aligning methodologies and index names, in line with the ESMA ESG funds' name guidelines.
[101] Please note that, concerning Index funds, MSCI is aligning methodologies and index names, in line with the ESMA ESG funds' name guidelines.
[102] Please note that, concerning Index funds, MSCI is aligning methodologies and index names, in line with the ESMA ESG funds' name guidelines.
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3. Summary table of the controversial activities exclusions applying to index sustainable strategies

In addition to any exclusions applied by MSCI-ESG when constructing these SRI indices, DPAM applies the following additional exclusion filters to all SRI index funds falling within the scope of this policy:

Exclusions applying to index sustainable strategies: (↔corresponding to SFDR Art8+ products)	**Exclusion thresholds**
Controversial business involvement criteria according to MSCI SRI indexes methodology.	• **The latest version of the exclusion thresholds is available: https://www.msci.com/index/methodology/latest/SRI**
Legally excluded controversial weapons, including: • Anti-personnel landmines (APL), cluster munitions (AM), and depleted uranium munitions and armours (DPU) • Biological and/or Chemical weapons (Involvement via activities and dedicated equipment and services)	• Issuers classified as RED by ISS-ESG.

Annexes

	DPAM Actively managed Sustainable strategies	DPAM Actively managed Transition strategies	DPAM Actively managed Mainstream strategies
Palm oil & deforestation	Sustainable exclusions apply		-
Nuclear energy	Sustainable exclusions apply		-
Electricity generation from fossil fuels and non-renewable energy sources	Sustainable exclusions apply	**Transition** exclusions apply	Mainstream exclusions apply
Conventional oil & gas	Sustainable exclusions apply	**Transition** exclusions apply	-
Unconventional oil & gas	Sustainable exclusions apply	**Transition** exclusions apply	Mainstream exclusions apply
Thermal coal	Sustainable exclusions apply	**Transition** exclusions apply	Mainstream exclusions apply
Alcohol	Sustainable exclusions apply		-
Adult entertainment / pornography	Sustainable exclusions apply		-
Gambling	Sustainable exclusions apply		-
Tobacco	Sustainable exclusions apply		Mainstream exclusions apply
Other armaments	Sustainable exclusions apply		-
CONTROVERSIAL ARMAMENTS (APL, CM, DPU, Biological & Chemical Weapons, White-Phosphorus, nuclear weapons)	Sustainable exclusions apply		Mainstream exclusions apply

Glossary

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

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

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