



July 2026 – Version 7

Principal Adverse Impact Statement

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Statement on principal adverse impacts of investment decisions on sustainability factors

I. Summary

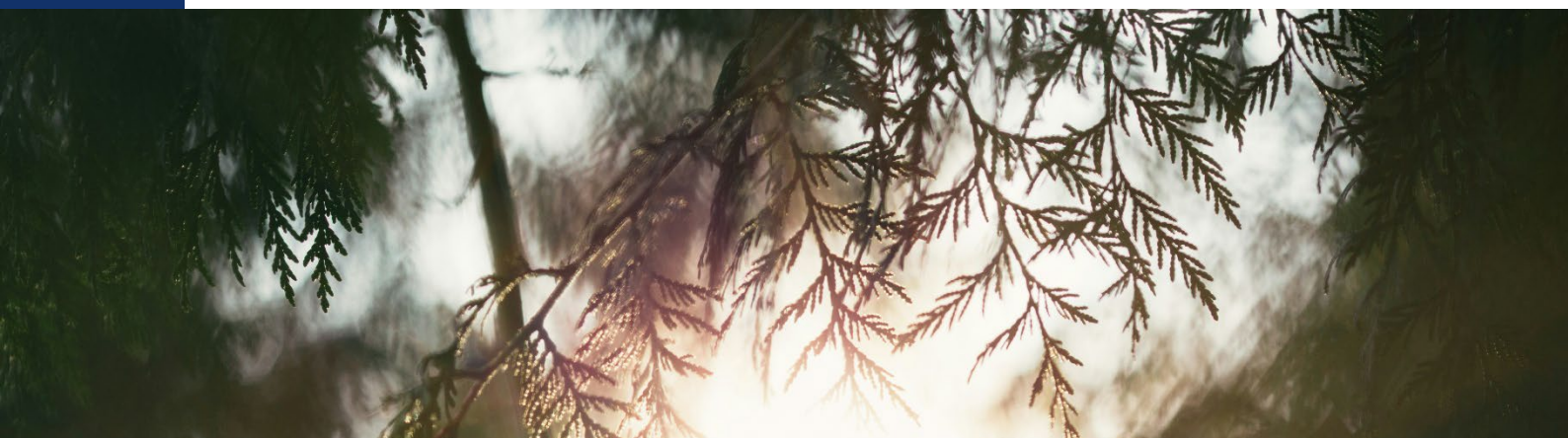
Degroof Petercam Asset Management SA/NV (DPAM), 549300R1P3NMZ5PKOE77, considers the principal adverse impacts of its investment decisions on sustainability factors. This is DPAM's consolidated statement on the principal adverse impact on sustainability factors covering the reference period from 1 January 2025 to 31 December 2025.

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

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

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

This statement provides details on the different principle adverse indicators and maps policies to identify and prioritise principal adverse impacts on sustainability factors. DPAM's SRI Policy and Exclusion Policy are used to identify and prioritise principle adverse impacts. DPAM's stance on active ownership, represented in its Engagement Policy and Voting Policy, mitigates the potential adverse impacts of its investments. The different policies and subsequent approaches of DPAM are rooted in international standards.





II. Description of the principle adverse sustainability impacts

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

- the Sustainable and Responsible Investment Policy (SRI policy);
- the Controversial Activities Policy (Exclusion policy);
- the Engagement Policy, and;
- the proxy voting policy (Voting policy).

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

These tables include the different adverse sustainability indicators, a short description of the metric, the quantitative impact of the PAIs as the average of impacts of theses PAIs on 31 March, 30 June, 30 September and 31 December of the period from 1 January to 31 December 2025 and the actions taken, and actions planned, and targets set for the next reference period.

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

For the column of 'actions taken, and actions planned, and targets set for the next reference period', there is a split between: (a) actions for non-sustainable financial products (products which (i) are neither article 8, nor article 9 under SFDR but which consider PAI ('others') and (ii) article 8 products under SFDR); and (b) actions for sustainable products (SFDR article 8 with partial investment in sustainable investments or article 9 products). The figure below depicts the processes applied for both types of products and the specific policy that details this process.

	Active ownership 						
	ESG Integration 						
	 Basic activities screening	 Normative Screening	 Negative behaviour screening	 Extensive activities screening	 Positive screening/	 Sustainability Themes	 Impact Framework / Themes
Relevant policies	Controversial Activities Policy	SRI Policy	SRI Policy	Controversial Activities Policy	SRI Policy	SRI Policy	SRI Policy
Conventional Article 8							
Sustainable & transition Article 8 with partial investment in sustainable investments & 9							
Impact Article 9							

1. Table 1: Indicators applicable to investments in investee companies

1.1 Greenhouse gas emissions

Adverse sustainability indicator	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Explanation	Actions taken and actions planned and targets set for the next reference period ¹
1. GHG emissions	Scope 1 GHG emissions	tCO2e	858,218.62	812,452.29	GHG emissions, Carbon Footprint and GHG Intensity metrics can fluctuate with market movements, as the SFDR regulation stipulates in its methodology the use of respectively Enterprise Value Including Cash (EVIC) and sales denominators. The latter, used in GHG intensity calculations impacted the entity level figures. It should also be noted that a lot of scope 3 emissions originate from modelled data, which	DPAM excludes certain companies from investment, during the different steps of its screening approach.
	Scope 2 GHG emissions	tCO2e	328,143.26	305,159.86		
	Scope 3 GHG emissions	tCO2e	10,761,579.60	8,788,220.67		As part of the normative screening , companies in breach of the Global Standards are omitted from investment. These Standards include - but are not limited to - supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies.
	Total GHG emissions	tCO2e	11,957,686.31	9,921,316.65		
2. Carbon footprint	Carbon footprint	tCO2e/mn EUR invested	281.32	248.43		As part of its basic activities screening , DPAM excludes companies with revenues derived from thermal coal

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

3.	GHG intensity of investee companies	GHG intensity of investee companies	tons CO2e/mn EUR sales	888.87	528.41	is more prone to fluctuations. Our data provider has also updated its models, specifically on downstream scope 3 emissions. This update expands scope 3 emissions coverage, and switched from only relying on verified disclosure data to broader data sources with a modelling overlay. Lastly, regulatory evolutions have led to higher corporate disclosure requirements regarding scope 3 emissions, in turn raising the coverage for this indicator. extraction. This screening also excludes companies that derive a certain portion of coal-based power generation, or unconventional oil and gas production. As part of its extensive activities screening, DPAM also has set exclusions for conventional oil and gas exploration, extraction, refining and transport. It also excludes the generation of power from non-renewable energy sources or the provision of dedicated equipment or services. The exclusion thresholds for thermal coal extraction, and unconventional oil and gas production are more stringent than for the basic negative screening. All thresholds for exclusion are set out in the Exclusion Policy.
4.	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector ²	% of AUM (excl. sovereign bonds)	5.76%	5.92%	No significant change In addition to the focus on activities, the negative behaviour screening excludes companies with the most severe controversial behaviour. This covers a company's operational aspects

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

5.	Share of non-renewable energy consumption and production Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption	% of total energy consumption	49.52%	54.52%	No significant change	such as emissions, as well as the environmental impact of its products and services.
		Production	% of total energy production	44.09%	1.79%	The change in value is due to a methodological decision rather than a change in positions or a change in value of these subsequent positions. The share of non-renewable production of the positions that are included in this calculation have not significantly changed compared to last year.	Through its Voting Policy and Engagement Policy , DPAM influences companies on their behaviour with regard to greenhouse gas emissions. It systematically votes for say-on-climate proposals in case these are ambitious enough and votes against if they do not meet the requirements of its pre-defined framework. As part of its environmental values, it focusses its engagement on the disclosure of scope 3 emissions and science-based targets. The Engagement Policy has a clear escalation process, that is consistent with DPAM's ambition to have all assets under management achieve net zero emissions by 2050. Some of these engagements take place through Climate Action 100+ and CDP's Non-Disclosure Campaign that DPAM is member of. Additional details of DPAM's active ownership in this area
6.	Energy consumption intensity per high impact climate sector Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Agriculture, forestry and fishing	GWh / mn EUR revenue	5.87	5.65	No significant change	
		Construction	GWh / mn EUR revenue	0.12	0.14	No significant change	

Electricity, gas steam and air conditioning supply	GWh / mn EUR revenue	2.56	2.64	No significant change	can be found in the respective policies. DPAM has reiterated its commitment to the Net Zero Asset Managers (NZAM) initiative . This initiative supports the goals of net zero greenhouse gas emissions and alignment with the Paris Agreement by 2050 or sooner. With regard to DPAM's active funds in the scope of this statement, in each SFDR art 8, 8 with partial investment in sustainable investments and 9 categories, 75% of the portfolio constituents of carbon intensive sectors need to have Science Based Targets or emissions aligned with a 1.5°C scenario by 2030. Moreover, in each SFDR art 8, art8 with partial investment in sustainable investments and 9 active categories, 50% of the portfolio constituents of non-carbon intensive sectors need to have Science Based Targets or emissions aligned with a 1.5°C scenario by 2030. DPAM's target was externally validated in 2023. Finally, it should be noted that DPAM commits to phase-out its exposure to thermal coal mining by 2030 in both OECD and non-OECD countries.
Manufacturing	GWh / mn EUR revenue	0.38	0.40	Despite the stability of data over the year, it should be noted that one issuer was omitted from the calculation for the manufacturing sector. This issuer's value in 2025 is increased by a factor of close to 200 million compared to the value at the beginning of 2026, demonstrating a mistake in the data from our data provider.	
Mining and quarrying	GWh / mn EUR revenue	1.10	1.05	No significant change	
Real estate activities	GWh / mn EUR revenue	0.40	0.43	No significant change	

Transportation and storage	GWh / mn EUR revenue	1.10	0.95	No significant change
Water supply: sewerage, waste management and remediation activities	GWh / mn EUR revenue	0.81	0.81	No significant change
Wholesale and retail trade; repair of motor vehicles and motorcycles	GWh / mn EUR revenue	0.06	0.07	No significant change

In its **SRI policy**, DPAM describes how it includes material greenhouse gas related risks as part of its positive screening, ultimately favouring the best performers.

1.2 Biodiversity

Adverse sustainability indicator	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Explanation	Actions taken and actions planned and targets set for the next reference period ³
7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where the activities of those investee companies negatively affect those areas	% of AUM (excl. sovereign bonds)	2.10%	3.17%	No significant change	DPAM excludes certain companies from investment. As part of the normative screening, companies in breach of the Global Standards are omitted from investment. These Standards include - but are not limited to - supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies. As part of its basic activities screening, DPAM excludes companies with certain revenues derived from coal-based power generation, or unconventional oil and gas production. As part of its extensive activities screening DPAM has also set exclusions for conventional oil and gas exploration, extraction, refining and transport. It also excludes companies in the palm oil value chain that do not adhere to proper certifications. The exclusion thresholds for thermal coal extraction, and unconventional oil and gas production are more stringent than with the basic negative screening. All thresholds for exclusion are set out in the Exclusion Policy.

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

Next to the focus on activities, **the negative behaviour screening** excludes companies with the most severe controversial behaviour. This covers a company's operational aspects such as causing severe biodiversity loss, as well as the environmental impact of its products and services.

In its **Biodiversity Policy**, DPAM describes how it includes material biodiversity related risks as part of its positive screening, ultimately favouring the best performers. DPAM has opted for a biodiversity footprinting tool which enables it to assess a company's impact on the five drivers of biodiversity loss. More importantly this methodology also includes a value-chain approach, which is crucial when assessing biodiversity as raw materials often have the largest impact on biodiversity loss. Data on biodiversity impacts and dependencies is crucial for informed decision-making in investment strategies. Moreover, DPAM is among the inaugural Taskforce on Nature-related Financial Disclosure (TNFD) Early Adopters.

1.3 Water

Adverse sustainability indicator	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Explanation	Actions taken and actions planned and targets set for the next reference period
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	tons/mn invested	0.13	0.14	Through its Exclusion Policy, DPAM excludes certain companies from investment. As part of the normative screening, companies in breach of the Global Standards are omitted from investment. These Standards include, but are not limited to, supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies. As part of its basic activities screening, it excludes companies with certain revenues derived from unconventional oil and gas production, which is heavily polluting water resources. As part of its extensive activities screening, DPAM has set more stringent exclusion thresholds for unconventional oil and gas production. All thresholds for exclusion are set out in the Exclusion Policy. Next to the focus on activities, the negative behaviour screening excludes companies with the most severe controversial behaviour. This covers a company's operational aspects such as causing severe water pollution loss, as well as the environmental impact of its products and services. In its SRI policy, DPAM describes how it includes material emissions to water related risks as part of its positive screening, ultimately favouring the best performers.	

1.4 Waste

Adverse sustainability indicator	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Explanation	Actions taken and actions planned and targets set for the next reference period ⁴
9. Hazardous waste and radioactive waste ratio	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	tons/mn EUR invested	11.07	4.06	The metric can fluctuate with market movements as the SFDR regulation stipulates in its methodology the use of Enterprise Value Including Cash (EVIC). Moreover, the provider from which we derive our data changed its methodology, which led to a severe drop in coverage for this indicator, compared to last year.	Through its Exclusion Policy, DPAM excludes certain companies from investment. As part of the normative screening, companies in breach of the Global Standards are omitted from investment. These Standards include - but are not limited to - supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies. As part of its basic activities screening, it excludes companies with revenues derived from thermal coal extraction, which creates radioactive waste. Moreover, DPAM does not invest in companies with activities linked to nuclear weapons, which again diminishes the risk of being invested in companies generating radioactive waste. Finally, DPAM's Exclusion Policy sets strict rules on being exposed to companies with activities around nuclear energy production. These strict rules lead to a diminished exposure to the nuclear energy sector, which contributes to the creation of radioactive waste. As part of its extensive activities screening, DPAM has also set exclusions on nuclear power capacity. The exclusion thresholds for thermal coal extraction are more stringent than for basic negative screening. All thresholds for exclusion are set out in the Exclusion Policy. In its SRI policy, DPAM describes how it includes the material risk of hazardous waste and radioactive waste as part of its positive screening, ultimately favouring the best performers.

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

1.5 Social and employee matters

Adverse sustainability indicator	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Explanation	Actions taken and actions planned and targets set for the next reference period ⁵
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multi-national Enterprises ⁶	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	% of AUM (excl. sovereign bonds)	0.35%	0.27%	This figure remains very low, as the only financial products that are not prohibited to invest in companies which violate UNGC principles or OECD Guidelines for Multinational Enterprise are financial products that are neither article 8, nor article 9 under SFDR.	Through its Exclusion Policy, DPAM excludes certain companies from investment. As part of the normative screening, companies in breach of the Global Standards are omitted from investment. Not complying with these Standards equates to violating UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. As part of the normative screening, companies in breach of the Global Standards are omitted from investment. These Standards focus on - but are not limited to - labour rights and human rights. Since 2024, DPAM also decided to include names to be considered 'Watchlist' status on Global Standards during its controversy review. This mitigates the risk of being exposed to companies in breach of the Global Standards even further. The negative behaviour screening excludes companies with the most severe controversial behaviour. This covers a company's operational aspects such as causing severe human rights or labour rights infringements, as well as the social and societal impact of its products and services. Through DPAM's Voting Policy and Engagement Policy, it influences companies to have proper processes and compliance mechanisms to monitor alignment with the Global

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

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

Adverse sustainability indicator	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Explanation	Actions taken and actions planned and targets set for the next reference period ⁵
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	% of AUM (excl. sovereign bonds)	41.25%	38.65%	We can observe a steady increase of companies with the necessary compliance mechanisms to monitor compliance with Global Standards. The proliferation of (inter)national regulations on due diligence and extra-financial reporting are one of the reasons for the wider adoption of these monitoring mechanisms.	Standards. It is member of the collaborative engagement initiative ADVANCE from the UN PRI (United Nations Principles for Responsible Investment), which expects companies to fully implement the United Nations Guiding Principles on Business and Human Rights (UNGPs). DPAM is also a member of the Collective Impact Coalition of the World Benchmarking Alliance (WBA) which sets ethical standards for companies active in AI and safeguards digital rights. To improve our monitoring, we are a member of the Investor Initiative on Human Rights Data, which aims to improve the quality of corporate human rights data from ESG data providers and proxy advisors. In its SRI policy, DPAM describes how it includes the material lack of processes and compliance mechanisms for Global Standards as part of its positive screening, ultimately favouring the best performers. Since 2023 DPAM has an extensive social due diligence process, expressed in DPAM's Social Due Diligence Approach. Based on high-risk sectors, NGO reporting, and past controversies, DPAM conducts an in-depth analysis of the companies. This analysis focusses on the companies' due diligence processes in identifying, assessing, managing and monitoring potential salient human rights issues. As part of the normative screening, companies in breach of the Global Standards are omitted from investment. These Standards include - but are not limited to - upholding the elimination of discrimination in respect of employment and occupation.

Adverse sustainability indicator	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Explanation	Actions taken and actions planned and targets set for the next reference period ⁵
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	% difference in average gross hourly earnings	16.73%	17.62%	The gender pay gap remained stable over the last reporting period	Through DPAM's Voting Policy and Engagement Policy, it influences companies on the potential unadjusted gender pay gap. It systematically votes for proposals that strive to close potential unadjusted gender pay gaps. In its SRI policy, DPAM describes how it includes material unadjusted gender pay gap as part of its positive screening, ultimately favouring the best performers.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	% female board members	37.83%	37.75%	The board's gender diversity remained stable over the last reporting period	Through DPAM's Voting Policy and Engagement Policy, it influences companies' behaviour with regard to board gender diversity. It systematically votes against the nomination committee of a company in case the board does not have 1/3 female board members. In its SRI policy, DPAM describes how it includes material board gender diversity as part of its positive screening, ultimately favouring the best performers.
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	% of AUM (excl. sovereign bonds)	0.00%	0.00%	DPAM's controversial activity policy prohibits any exposure to controversial weapons across its funds.	As part of its basic activities screening , it excludes companies with any direct revenue exposure to anti-personnel landmines, cluster munitions and armours. This leads to indicator 14 having the value of 0.

2. Table 2 indicators applicable to investments in sovereigns and supranationals

2.1 Environmental

Adverse sustainability indicator	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Explanation	Actions taken and actions planned and targets set for the next reference period ⁷
15. GHG intensity	GHG Intensity of investee countries	tCO2e/mn EUR GDP	165.17	501.23	It should be noted that a lot of scope 3 emissions originate from modelled data, which is more prone to fluctuations. Our data provider has also updated its models, specifically on downstream scope 3 emissions. This update expands the scope 3 emissions coverage and switched from only relying on verified disclosure data to broader data sources with a modelling overlay.	Through DPAM's Engagement Policy, it influences countries to improve their social and environmental performance. The start of any engagement is the country sustainability scorecards, these contain an environmental pillar, which includes elements such as energy efficiency and GHG intensity. In its SRI policy, DPAM describes how it calculates GHG intensity in the country sustainability scorecards that are the building blocks for the country sustainability rankings, as part of the positive screening.

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

2.2 Social

Adverse sustainability indicator	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Impact [year 2023]	Explanation	Actions taken and actions planned and targets set for the next reference period ⁸
16. Social	Investee countries subject to social violations	% of fixed income AUM (excl. corporate bonds) # countries	0	0 0	0.00% 0		Through its Exclusion Policy, DPAM excludes certain countries from investment. As part of its basic activities screening, it excludes investment in sovereign bond issuers that are considered non-free and authoritarian. Through its Engagement Policy, DPAM influences countries in bettering their social and environmental performance. The start of any engagement is the country sustainability scorecards. These scorecards include a social component with a focus on population, healthcare and wealth distribution, and a governance component covering transparency and democratic values. In its SRI Policy, DPAM describes how it includes investee countries subject to social violations in the country sustainability scorecards. These scorecards are the building blocks for the country sustainability rankings, as part of the positive screening.

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

3. Table 3 additional climate and other environment-related indicators

3.1 Water, waste and material emissions

Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Explanation	Actions taken and actions planned and targets set for the next reference period ⁹
17. Water usage and recycling	Average amount of water consumed by investee companies (in cubic metres) per million EUR of revenue	m3/mn EUR revenue	7,151.18	5,402.81	This metric also requires the use of a revenue denominator, positively impacted by market movements over the course of 2025.	Through its Exclusion Policy , DPAM excludes certain companies from investment.
	Weighted average percentage of water recycled and reused by investee companies	m3/mn EUR revenue	1,983.87	No data available yet		As part of the normative screening, companies in breach of the Global Standards are omitted from investments. These Standards include - but are not limited to - undertaking initiatives to promote greater environmental responsibility. As part of its basic activities screening, it excludes companies with certain revenues derived from unconventional oil and gas production. In its SRI Policy , DPAM describes how it includes the material risk of water usage and recycling as part of its positive screening, ultimately favouring the best performers.

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

4. Table 4 additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

4.1 Social and employee matters

Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Explanation	Actions taken and actions planned, and targets set for the next reference period ¹⁰
18. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities, or illness at investee companies expressed as a weighted average	Days lost	5.02%	6.26%	No significant change	Through DPAM's Voting Policy and Engagement Policy, it influences companies on the number of days lost to injuries, accidents, fatalities or illness. It systematically votes for proposals that strive to disclose more metrics or set ambitious targets in this regard. In its SRI Policy, DPAM describes how it includes material figures around number of days lost of injuries as part of its positive screening, ultimately favouring the best performers.

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

Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Unit	Impact [year 2025]	Impact [year 2024]	Explanation	Actions taken and actions planned, and targets set for the next reference period ¹⁰
19. Lack of human rights due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate, and address adverse human rights impacts	% of AUM (excl. sovereign bonds)	24.88%	22.85%	No significant change	Upcoming European regulation and DPAM's Social Due Diligence Approach led to the decision to pick an additional voluntary social adverse impact indicator. New regulations will push companies to adopt more robust processes for identifying, preventing, mitigating, and addressing human rights impacts. Moreover, DPAM's social due diligence process also identifies companies lacking the relevant processes to target for engagement. DPAM influences companies to have proper processes and compliance mechanisms to monitor alignment with the Global Standards via its Voting Policy and Engagement Policy. It is member of collaborative engagement initiatives such as the Investor Alliance for Human Rights which urges companies to improve their scoring on the Corporate Human Rights Benchmark and assesses companies on their adherence to the UN Guiding Principles on Business and Human Rights. The other investor coalitions that DPAM is part of, have been described under adverse impact factor 10.



III. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

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

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

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

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

- Proxy Voting Policy (initially adopted in 2013 and updated annually) ([available here](#)): The Voting Policy adopted by DPAM aims to defend the values and principles of corporate governance that DPAM advocates. The policy is intended to be applied by the companies in which DPAM invests on behalf of DPAM Funds or clients within the scope of this Proxy Voting Policy.
- Controversial Activities Policy (initially adopted in 2017 and updated annually) ([available here](#)): Whenever there is any doubt about a company's involvement, whether it is already invested in portfolios or considered as a potential investment for portfolios, in the controversial activities listed in the policy, DPAM will have an engaged dialogue with the company's management.
- Engagement Policy (initially adopted in 2016 and updated annually) - ([available here](#)): DPAM's vision of responsible engagement is articulated in two pillars:
 1. Engaging to reduce the negative impact of an investment
 2. Engaging to defend our values and convictions on:
 - Promoting ESG best practices through voting
 - Environment and climate risk
 - Social and human rights infringement
 - Corporate governance and corporate taxation

1. Identifying and prioritising environmental principle adverse indicators for corporates

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

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

Finally, regarding environmental criteria that might have a negative material impact, DPAM's research and portfolio management teams pay particular attention to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). The financial risks related to climate change (such as carbon price risks or physical risks related to drought) are

considered by the financial analysts responsible for the main sectors affected by the transition, including energy, transport, real estate, materials, agriculture, food and forestry. DPAM's Responsible Investment Competence Centre supports this work.

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

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

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

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

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

In its **Biodiversity Policy**, DPAM describes how it includes material biodiversity related risks as part of its positive screening, ultimately favouring the best performers. DPAM has opted for a biodiversity foot printing tool which enables it to assess a company's impact on the five drivers of biodiversity loss. More importantly this methodology also includes a value-chain approach, which is crucial when assessing biodiversity as raw materials often have the largest impact on biodiversity loss. Data on biodiversity impacts and dependencies is crucial for informed decision-making in investment strategies. Moreover, DPAM is among the inaugural Taskforce on Nature-related Financial Disclosures (TNFD) early adopters. Finally, DPAM also joined the investor coalition Spring. This coalition is led by the PRI and addresses the systemic risks of biodiversity loss to protect the long-term interests of investors.



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

2. Identifying and prioritising adverse social indicators for corporates

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

Second, the controversial behaviour screening will identify the companies facing the most severe social controversies, namely supply chain, society and community, customers and employees. This screening involves assessing companies' actual behaviour, focusing on incidents and controversies that may violate fundamental rights. The severity of these controversies is measured by national and international legislation, as well as international ESG standards. Controversy ratings from providers like Sustainalytics are used, which track ESG-related incidents across thousands of news sources daily. This helps identify companies whose activities or behaviour could significantly harm sustainable and inclusive growth. Our approach to controversy review is grounded on the principle of financial materiality, recognising that issues such as fines, litigation, sales reduction and reputational harm can directly impact investment eligibility and performance. We conduct ongoing, dynamic assessments of controversies to proactively identify and anticipate material developments, ensuring that our investment universe remains aligned with our sustainability objectives. Controversies are systematically evaluated and prioritised according to severity, using insights from a range of external providers, news headlines and observed trends in controversy levels. High-priority controversies are escalated and debated within the SRI Steering Group using a structured template, while lower-priority issues are monitored and addressed as appropriate. This prioritisation and escalation framework ensures that severe controversies result in immediate review and, where necessary, the exclusion of issuers from eligible investment universes, thereby safeguarding our portfolios against significant ESG risks and supporting robust, transparent decision-making processes.

A similar approach is taken for companies that have a Watchlist status with regards to Global Standards. A company is assessed as Watchlist if it is determined to be at risk of causing or contributing (or directly linked) to severe or systemic and/or systematic violations of international norms and standards. These companies are treated as if they would face a level 4 controversy, significantly expanding the scope of the controversies' review. This Watchlist status review, is not included for DPAM's passive funds.

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

Our fundamental research and active voting instructions also allows DPAM to focus on another social PAI that is crucial in all our research: board diversity, including board gender diversity, diversity in terms of experience, expertise on diversity and adequacy.

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

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

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

Lastly, since 2023, DPAM has extended its ESG social due diligence process across its fund range. DPAM has identified five sectors with increased exposure to potential human rights infringements. The sectors were selected based on the severity of human rights infringements (considering scale, scope, and the ability to remediate) and the likelihood of infringements occurring. Within these sectors, we analyse DPAM's exposure and look for companies that signal a lack of policies and due diligence processes to avoid or mitigate the human rights

risks they face. Previous controversies and the companies' performance in international NGO rankings related to salient human rights issues for the industry are the sources of these signals. When a company in a high-risk industry shows signs of lacking policies or proper due diligence, DPAM conducts an in-depth analysis. This analysis focuses on the company's publicly available policies and procedures, as well as the salient human rights issues for the company's industry, products, services, and geographical footprint. This in-depth analysis informs the portfolio manager of the fund whether the company is properly managing the human rights risks it faces.

3. Identifying and prioritising principle adverse indicators for sovereigns

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

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

4. Identifying and prioritising principle adverse indicators for third party funds

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

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

DPAM engages with the third-party fund manager to understand which principal adverse impacts are considered. This varies because third-party asset managers may take slightly different approaches. The answers received from the third-party fund managers following this engagement are cross-checked based on the European ESG Template (EET), whenever it is made available. Moreover, there is engaged discussion with the third-party fund managers in case of exposure to excluded activities/issuers as specified by our Exclusion Policy, according to the SFDR level category. If the engagement is positive i.e., there is an agreement on exiting the controversial issuer, the third-party fund can be considered as article 8 SFDR. If the engagement is not concluding, the third-party fund will not be considered as article 8 SFDR despite its classification as such.

Beyond aligning with the exclusions defined by the Exclusion Policy, DPAM checks the sustainable instrument threshold and PAI integration at fund level as well for sustainable or ESG-integrated funds. Based on this check, a fund might be classified as article 6 (if it does not meet the exclusion rules) or article 8 (if it does not meet the threshold of Sustainable Investment of 50%). The review is annual and dependent on the transparency of the individual lines and on the European ESG Template.

5. Identifying and prioritising principle adverse indicators for indexed funds

For passive funds classified as Article 8 under Regulation (EU) 2019/2088, the PAIs are integrated into the different stages of the construction of the index which funds replicate passively, as per the methodology of the index.

6. Data sources used

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

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Main data source
Greenhouse gas emissions	
1. GHG emissions	S&P Trucost
2. Carbon footprint	S&P Trucost
3. GHG intensity of investee companies	S&P Trucost
4. Exposure to companies active in the fossil fuel sector	S&P Trucost
5. Share of non-renewable energy consumption and production	S&P Trucost
6. Energy consumption intensity per high impact climate sector	S&P Trucost
Biodiversity	
7. Activities negatively affecting biodiversity-sensitive areas	Sustainalytics
Water	
8. Emissions to water	Sustainalytics
Waste	
9. Hazardous waste and radioactive waste ratio	Sustainalytics
Social and employee matters	

Adverse sustainability indicator	Main data source
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Sustainalytics & MSCI ESG ¹¹
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Sustainalytics
12. Unadjusted gender pay gap	Sustainalytics
13. Board gender diversity	Sustainalytics
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	ISS-Ethics

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

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator	Main data source
Environmental	
15. GHG intensity	S&P Trucost
Environmental	
16. Investee countries subject to social violations	Freedom House, Democracy Index, the International Labour Organisation, the World Bank and Vision of Humanity

Voluntary indicators applicable to investments in investee companies

Adverse sustainability indicator	Main data source
Environmental	
17. Water usage and recycling	S&P Trucost
Social	
18. Number of days lost to injuries, accidents, fatalities or illness	Sustainalytics
19. Lack of human rights due diligence	Sustainalytics

IV. Managing the margin of error

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

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

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

1. Managing the margin of error of corporates

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

- One key adverse impact is exposure to companies facing violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, which aim to uphold four fundamental principles: defend human rights, defend labour rights, prevent corruption and protect the environment. ESG rating agencies assess companies' compliance with these principles based on specific criteria derived from the 10 principles of the UN Global Compact. The analysis identifies companies that have faced incidents and severe controversies resulting in violations of these fundamental rights principles. The severity of the controversies and incidents is evaluated based on national and international legislation, but also considers international ESG standards, such as the recommendations of the OECD for multinational companies, the conventions of the International Labour organisation, the Universal Declaration of Human Rights, and others. DPAM uses two data providers to assess a company's compliance with these global standards, and if one or both providers flag a company as non-compliant, the company is excluded from the sustainable fund's eligible universe. For the conventional fund range, if either one of two providers considers a name to be in breach of the Global Standards, DPAM may investigate the name further and determine its

eligibility after an internal assessment. When two providers consider a name to be in breach, it is excluded from investment. This conservative approach ensures that no company with a potential breach of these standards is part of the Sub-fund, except for indexed strategies where DPAM relies on the index provider only.

- DPAM is aware of the same limitations when it comes to the controversies review and ensuring that the Sub-fund is facing no major controversies of maximum severity on environmental or social issues. For this reason, except for indexed strategies, DPAM systematically excludes companies facing the highest controversy level based on reported data from its data provider. All companies facing a controversy level 5 (on a scale from 0 to 5, 0 being the lowest controversy level) are excluded from the Sub-fund's eligible universe. Moreover, each month, the Responsible Investment Steering Group meets to discuss those companies that pose a risk of facing the highest level of controversy. DPAM believes that this prudent approach prevents it from having any exposure to companies facing major controversies or prone to face major controversies in the future.
- Data pertaining to greenhouse gas (GHG) emissions is gathered through S&P Trucost, which uses partially modelled and partially reported data. To ensure the accuracy of this data, DPAM leverages its Task Force on Climate-Related Financial Disclosures (TCFD) analyses to pinpoint potential incongruencies. Moreover, a sanity check is conducted for the top five GHG emitters and the five largest contributors to the GHG intensity of a Sub-fund, specifically for the publication of quarterly sustainability reports. In case of incorrect data, DPAM contacts its data provider to rectify the mistake.

2. Managing the margin of error of sovereigns

The data used to enumerate the PAI for sovereign investments, is also used as an input for the country sustainability model developed by DPAM. A wide set of external data is provided for the different aspects of this model. By using these different data sources, DPAM can identify potential contrary data and, if needed, correct them.

Moreover, the Country Sustainability Advisory Board (CSAB) is the main governance body for DPAM's country sustainability model. This body consists of six voting members and gathers twice a year to make sure that the country model is up to date with the latest scientific and sustainability related findings. Moreover, the CSAB includes external experts among its members to ensure a critical external review of the country model.

3. Managing the margin of error of third party funds

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

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

V. Engagement policies

1. Proxy voting

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

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

They consist of four elements:

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

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

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

2. Corporate engagement

Given the multiple challenges and interactions companies are exposed to, a cautious and open-minded attitude is required, which is why DPAM has adopted an approach based on dialogue and collaboration with investees. This collaborative process takes place both within DPAM and externally. DPAM adopted an engagement program in the second half of 2014. Since then, it has leveraged experience and knowledge and has cooperated to adopt the latest Engagement Policy publicly disclosed on the website.

Engaging with an issuer, either through proxy voting or direct engagement in individual or collaborative initiatives allows DPAM to defend our values and convictions, spread best practice and innovative solutions to ESG challenges and helps to mitigate the negative impact of our investments. As a pioneering sustainable investor, DPAM's objective is to integrate financial and sustainable performance and to make a positive contribution to fostering sustainable and inclusive growth so that our clients, stakeholders and society as a whole can thrive.

To uphold best practice, DPAM relies on reputable sources including the International Corporate Governance Network, the UN Global Compact's 10 Principles, the OECD guidelines for multinational enterprises, the United Nations' Sustainable Development Goals, the OECD Due Diligence Guidance for Responsible Business Conduct, the Principles of Responsible Finance and recommendations from the Task Force on Climate-related Financial Disclosure (TCFD).

The Engagement Policy outlines DPAM's vision of effective and sustainable investing. It aims to optimise our positive impact for the benefit of the society as a whole. The Engagement Policy has a double aim (a) to reduce the negative impact of DPAM's investment; and (b) to defend DPAM's values and convictions on the environment, social and governance issues. It highlights why DPAM engages and its choices on which topics to prioritise. The document explains the engagement process and its expectations in terms of progress from investee companies. It also includes details on means, channels and potential escalation.

1. Looking at the reduction of the negative impact of DPAM's investments, the Responsible Investment Steering Group gathers to discuss those companies judged to be controversy level 3 with a negative outlook or level 4 in a distinct industry. Based on thorough analyses of these controversies, it is possible to either keep a name eligible, embark on an official engagement process, or exclude a name due to a controversy.

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

2. With regards to defending DPAM's values and convictions on the environment, social and governance issues, the Engagement Policy sets out a whole range of engagement priorities. These go from promoting ESG best practices through voting, to environmental and climate risks, and social and human rights infringements. Lastly, DPAM also focuses on corporate governance and corporate taxation as a topic.

Bondholders do not benefit from the same position or legal rights as equity holders, as they do not have the same voting rights. Engaging with issuers is nevertheless particularly important for DPAM's fixed-income team. First, sustainability risks and opportunities are integrated at the inception of the research process and the ESG profile of the issuer is taken into account by DPAM's credit analysts and fixed-income portfolio managers. Second, all the engaged dialogues to obtain more information on specific ESG issues or on Sustainable Development Goal (SDG)'s outcome of products and services are key information for all investment professionals, being bond or equity holders.

The whole engagement process, including the escalation process, is described in the Engagement Policy. This policy can have implications for all portfolios managed by DPAM. The scope of the issuers with whom DPAM engages is defined in the policy, particularly by those themes identified as priorities. The issuers are selected because they have either been identified in the controversy review by the Responsible Investment Steering Group, or they are within the scope of the thematic priorities DPAM has defined on Environmental, Social and Governance (ESG) aspects to defend its values and convictions. These values and convictions are described for the different ESG aspects and include, among others, Paris Alignment and related net zero target setting, human rights in the value chain, or board oversight of ESG topics.

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

Finally, DPAM issues a yearly Engagement Activity Report. This report describes the major engagement statistics of the year, together with tangible examples and engagement priorities. DPAM believes that these activity reports are a cornerstone of the transparency it offers to its clients.

3. Sovereign engagement

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

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

DPAM uses engagement as a due diligence process, integrated in its commitment to be active, sustainable and research driven.

Engaging with sovereigns allows DPAM to actively contribute to the promotion of responsible governance and sustainable development and DPAM is convinced of the important role **sovereign bonds** play as a means of financing the transition to a low carbon economy.

An engagement is meaningful as soon as it has an impact, for example, when it leads to change and progress. However, we use a different approach when engaging with countries than when engaging with companies. **Engagement with sovereign bond issuers is based on dialogue** for mutual learning and it therefore aims to provide an exchange of information and best practice.

The dialogue is structured according to a multi-step process that progresses from awareness raising to focusing on the Paris Agreement's strategy and commitments. Our primary objective is to raise awareness among governments about the importance of ESG integration, including in sovereign bond investments.

ESG factors provide a robust view on a country's risk profile, shedding light on how countries are managing environmental challenges, social inequalities and governance structures.

1. In the first phase of an engagement our role is to **emphasise that investors consider ESG criteria** in their investment decisions to indirectly encourage the adoption of policies that foster sustainable development.
2. In the second phase, **we introduce DPAM's proprietary country model**. We explain how it works, what DPAM learns from it and in particular we discuss the scorecards DPAM produces for each of the countries eligible for investment. In this way, we highlight countries strengths and areas for attention, while gathering their feedback for a mutual exchange of information.

3. The third phase of engagement focuses on **the importance of green finance** and the country's potential in financing the transition. We highlight DPAM's expectations regarding the use of the proceeds from bonds and share our expectations on the qualities of or improvements possible to green finance frameworks.

Finally, we have an exchange about **a country's alignment with the Paris Agreement** and its ambition to reach Net Zero by 2050. Almost all countries have committed to achieve carbon neutrality by 2050, however it is important to assess the credibility of their claims and their pathway to reach this target.

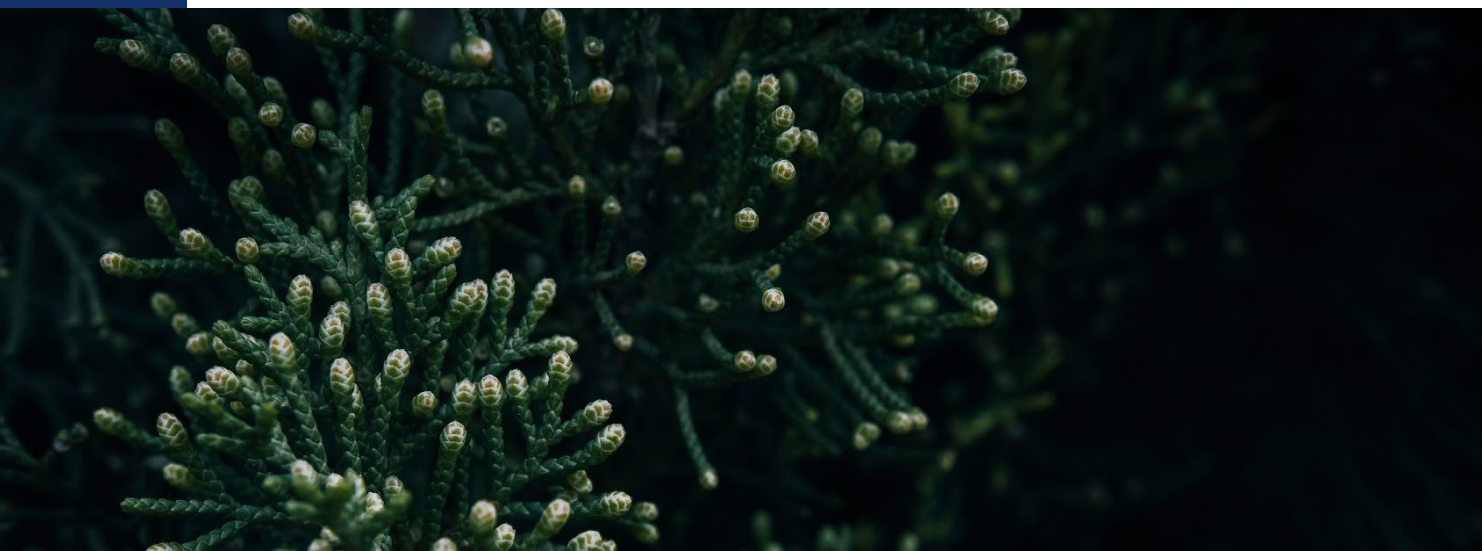
The discussion about credible paths to alignment with the goals of the Paris Agreement is key for DPAM as a signatory of the Net Zero Asset Managers Initiative. Although sovereign bonds are typically out of the scope of such initiatives, we remain convinced of the importance of this asset class and therefore seek its alignment with DPAM's commitments.

4. Third-party fund engagement

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

5. Indexed funds engagement

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





VI. Reference to international standards

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

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

DPAM uses forward looking climate scenarios in different complementary ways:

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





VII. Historical comparison

Table 1: Indicators applicable to investments in investee companies

1.1 Greenhouse gas emissions

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2025]	IMPACT [YEAR 2024]	IMPACT [YEAR 2023]	IMPACT [YEAR 2022]
1. GHG emissions	Scope 1 GHG emissions	tCO2e	858,218.62	812,452.29	827,596.54	957,652.05
	Scope 2 GHG emissions	tCO2e		305,159.86	260,821.54	252,218.82
			328,143.26			
	Scope 3 GHG emissions	tCO2e	10,761,579.60	8,788,220.67	8,366,686.40	1,275,003.15
	Total GHG emissions	tCO2e	11,957,686.31	9,921,316.65	9,455,104.49	8,196,624.72
2. Carbon footprint	Carbon footprint	tCO2e/mn EUR invested	281.32	248.43	272.76	257.70
3. GHG intensity of investee companies	GHG intensity of investee companies	tons CO2e/mn EUR sales	888.87	528.41	722.63	1,143.20
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector ¹²	% of AUM (excl. sovereign bonds)	5.76%	5.92%	5.86%	6%
5. Share of non-renewable energy consumption and production	Consumption	% of total energy consumption	49.52%	54.52%	55.72%	57%
	Production	% of total energy production	44.09%	1.79%	1.44%	2%
Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources						

¹² Once a company derives revenues from exposure towards the fossil fuel activities defined under Annex I of supplementing Regulation (EU) 2019/2088, the total invested amount is counted.

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2025]	IMPACT [YEAR 2024]	IMPACT [YEAR 2023]	IMPACT [YEAR 2022]
6. Energy consumption intensity per high impact climate sector Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Agriculture, forestry and fishing	GWh / mn EUR revenue	5.87	5.65	6.12	5.31
	Construction	GWh / mn EUR revenue	0.12	0.14	0.16	0.17
	Electricity, gas steam and air conditioning supply	GWh / mn EUR revenue	2.56	2.64	3.15	3.84
	Manufacturing	GWh / mn EUR revenue	0.38	0.40	0.59	0.82
	Mining and quarrying	GWh / mn EUR revenue	1.10	1.05	2.95	6.97
	Real estate activities	GWh / mn EUR revenue	0.40	0.43	0.80	1.83
	Transportation and storage	GWh / mn EUR revenue	1.10	0.95	0.94	1.25
	Water supply: sewerage, waste management and remediation activities	GWh / mn EUR revenue	0.81	0.81	0.60	0.53
	Wholesale and retail trade; repair of motor vehicles and motorcycles	GWh / mn EUR revenue	0.06	0.07	0.20	0.23

1.2 Biodiversity

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2025]	IMPACT [YEAR 2024]	IMPACT [YEAR 2023]	IMPACT (YEAR 2022)
7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where the activities of those investee companies negatively affect those areas	% of AUM (excl. sovereign bonds)	2.10%	3.17%	4.65%	5%

1.3 Water

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2025]	IMPACT [YEAR 2024]	IMPACT [YEAR 2023]	IMPACT [YEAR 2022]
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	tons/mn invested	0.13	0.14	0.14	0.20

1.4 Waste

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2025]	IMPACT [YEAR 2024]	IMPACT [YEAR 2023]	IMPACT [YEAR 2022]
9. Hazardous waste and radioactive waste ratio	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	tons/mn EUR invested	11.07	4.06	8.54	10.47

1.5 Social and employee matters

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2025]	IMPACT [YEAR 2024]	IMPACT [YEAR 2023]	IMPACT [YEAR 2022]
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises¹³	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	% of AUM (excl. sovereign bonds)	0.35%	0.27%	0.21%	0%
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	% of AUM (excl. sovereign bonds)	41.25%	38.65%	44.13%	57%
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	% difference in average gross hourly earnings	16.73%	17.62%	17.25%	17%
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	% female board members	37.83%	37.75%	36.91%	36%
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	% of AUM (excl. sovereign bonds)	0.00%	0.00	0.00%	0.00%

¹³ For DPAM's range of indexing strategies, it relies only on the data from MSCI ESG to follow up on the indicator 10 "Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises".

2. Table 2: Indicators applicable to investments in sovereigns and supranationals

2.1 Environmental

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2025]	IMPACT [YEAR 2024]	IMPACT [YEAR 2023]	IMPACT [YEAR 2022]
15. GHG intensity	GHG Intensity of investee countries	tCO2e/mn EUR GDP	165.17	501.23	666.79	624.87

2.2 Social

ADVERSE SUSTAINABILITY INDICATOR	METRIC	Unit	IMPACT [YEAR 2025]	IMPACT [YEAR 2024]	IMPACT [YEAR 2023]	IMPACT [YEAR 2024]
16. Social	Investee countries subject to social violations	% of fixed income AUM (excl. corporate bonds)	0	0	0.00%	0
		# countries			0	

3. Table 3: Additional climate and other environment related indicators

3.1 Water, waste and material emissions

ADVERSE IMPACT ON SUSTAINABILITY FACTORS (QUALITATIVE OR QUANTITATIVE)	METRIC	Unit	IMPACT [YEAR 2025]	IMPACT [YEAR 2024]	IMPACT [YEAR 2023]	IMPACT [YEAR 2022]
17. Water usage and recycling	Average amount of water consumed by investee companies (in cubic metres) per million EUR of revenue	m3/mn EUR revenue	7,151.18	5,402.81	8,851.57	12,897.89
	Weighted average percentage of water recycled and reused by investee companies	m3/mn EUR revenue	1,983.87	No data available	No data available yet	No data available yet

4. Table 4: Additional Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

4.1 Social and employee matters

ADVERSE IMPACT ON SUSTAINABILITY FACTORS (QUALITATIVE OR QUANTITATIVE)	METRIC	Unit	IMPACT [YEAR 2025]	IMPACT [YEAR 2024]	IMPACT [YEAR 2023]	IMPACT [YEAR 2022]
18. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities, or illness at investee companies expressed as a weighted average	Days lost	5.02%	6.26%	6%	7%
19. Lack of human rights due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate, and address adverse human rights impacts	% of AUM (excl. sovereign bonds)	24.88%	22.85%	22.19%	N/A

VIII. Statement on principal adverse impacts of investment advice on sustainability factors

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

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

1. Process used by DPAM to select the funds DPAM advises on

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

1.1 Use of information published by financial market participants pursuant to SFDR

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

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

1.2 Ranking and selection of funds based on the indicators listed in Table 1 of Annex I and any additional indicators and, where applicable, a description of the ranking and selection methodology used

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

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

DPAM has not set any ranking methodology.

1.3 Any criteria or thresholds based on the principal adverse impacts listed in Table 1 of Annex I that are used to select, or advise on, funds

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

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

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Disclaimer

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