DPAM B EQUITIES WORLD SUSTAINABLE - B

NACHHALTIGKEITSBEZOGENE OFFENLEGUNGSPFLICHTEN

This page contains the information in accordance with Article 10(1) of Regulation (EU) 2019/2088.

The sub-fund promotes environmental and/or social characteristics and partially intends to make sustainable investments.

ZUSAMMENFASSUNG

Der Teilfonds bewirbt **ökologische und soziale Merkmale** und obwohl keine nachhaltigen Investitionen angestrebt werden, enthält er einen Mindestanteil von 50% an nachhaltigen Investitionen mit einem Umweltziel in Wirtschaftstätigkeiten, die nach der EU-Taxonomie nicht als ökologisch nachhaltig einzustufen sind, und ohne einem sozialen Ziel.

Der Teilfonds bewirbt ökologische und soziale Merkmale durch eine strenge Methodik, die auf Folgendes abzielt:

- Verteidigung der Grundrechte (Achtung der Menschenrechte und des Arbeitsrechts, Umweltschutz und Verhinderung von Korruption);
- Keine Finanzierung kontroverser Aktivitäten und Verhaltensweisen, die den langfristigen Ruf der Investitionen beeinträchtigen könnten;
- Bewerbung von besten Verfahren und Bemühungen in puncto Umwelt, Soziales und Governance (ESG).

Der Teilfonds **hat keinen Referenzindex** festgelegt, um die gemäß Artikel 8 der Verordnung (EU) 2019/2088 beworbenen ökologischen und sozialen Merkmale zu erreichen.

Das Erreichen dieser ökologischen und sozialen Merkmale wird durch die Verwendung folgender Indikatoren (Methodiken) gemessen. Diese umfassen u. a. die verbindlichen Elemente der **Anlagestrategie**, die für die Auswahl der Investitionen zur Erfüllung der Ziele verwendet werden. Die Kriterien einer **guten Unternehmensführung** spielen bei DPAM eine wesentliche Rolle bei der aktiven Beteiligung, seinem Engagement und seiner nachhaltigen und verantwortungsvollen Anlagepolitik und sind in diesem Anlageentscheidungsprozess enthalten. Im Folgenden werden die **Methodik** sowie die **Datenquellen und -begrenzungen** erläutert:

a. Kein Engagement in Unternehmen, die die Anforderungen der globalen Standards nicht erfüllen. DPAM greift auf zwei Datenanbieter zurück: Sustainalytics und MSCI ESG Research. DPAM verfolgt einen konservativen Ansatz. Wenn einer der beiden Datenanbieter ein Unternehmen als nicht-konform ansieht, so gilt es als nicht mit den globalen Standards konform.
b. Kein Engagement in Unternehmen, die gemäß den in der **Politik bei kontroversen Aktivitäten von DPAM** vorgegebenen Definitionen und Schwellenwerten in kontroverse Aktivitäten verwickelt sind. Der Teilfonds schließt Wertpapiere aus, deren Geschäft in der Herstellung, Verwendung oder im Besitz von Anti-Personen-Minen, Streumunition, abgereichertem Uranium, Munition und Rüstung sowie chemischen und biologischen Waffen besteht. Ferner schließt der Teilfonds Wertpapiere aus, die in erheblichem Maße in der Herstellung oder im Vertrieb von Tabak sowie Rohstoffen und Ausrüstung zur Herstellung von Tabak, in der Förderung von Kraftwerkskohle oder der Herstellung von Strom aus Kohle engagiert sind; DPAM nutzt dazu die folgenden Datenanbieter: MSCI ESG, ISS Ethix, Trucost und Sustainalytics. Die Daten von diesen Quellen entsprechen nicht immer den zuletzt veröffentlichten Daten der Unternehmen. Sollten aktuellere Daten durch Unternehmensberichte vorliegen, so haben diese Vorrang vor den Daten des Datenanbieters.
c. Kein Engagement in Unternehmen, die in die schwerwiegendsten ESG-Kontroversen verwickelt sind; DPAM schließt Unternehmen aus, die basierend auf den von Sustainalytics veröffentlichten Daten (Bewertung auf Grundlage von etwa 55.000 täglich von Sustainalytics gescannten Nachrichtenmeldungen), die es durch zusätzliche interne Analysen vervollständigt, in die schwerwiegendsten kontroversen Aktivitäten verwickelt sind. Dieser vorsichtige Ansatz ermöglicht es, jegliches Engagement in Unternehmen zu meiden, die in wesentliche Kontroversen verwickelt sind oder Gefahr laufen, sich in Zukunft wesentlichen Kontroversen gegenüberzusehen.
d. Ein im Vergleich zur Benchmark besseres gewichtetes durchschnittliches ESG-Profil, berechnet über einen rollierenden 3-Jahres-Zeitraum. Das unterste Quartil (25 %) des Wirtschaftssektor ist nicht für Investitionen zulässig. DPAM greift hierbei auf den Datenanbieter Sustainalytics zurück. Die Daten von diesen Quellen entsprechen nicht immer den zuletzt veröffentlichten Daten der Unternehmen. Sollten aktuellere Daten durch Unternehmensberichte vorliegen, so haben diese Vorrang vor den Daten des Datenanbieters.
e. Eine im Durchschnitt niedrigere gewichtete Treibhausgasemissionsintensität des Portfolios im Vergleich zum Referenzindex, die über einen rollierenden 3-Jahres-Zeitraum berechnet wird. DPAM verwendet den Datenanbieter S&P Trucost. Zur Gewährleistung der Korrektheit dieser Daten nutzt DPAM seine Analysen gemäß den Empfehlungen der „Task Force on Climate-related Financial Disclosures" (TCFD), um mögliche Ungereimtheiten aufzudecken.

The objectives of the sustainable investments that the Sub-fund intends to partially achieve are to invest in companies whose core business is the development of products and services that contribute to the achievement of the 17 environmental or social Sustainable Development Goals ("SDGs"), as defined by the United Nations (UN) via:

1. companies aligned with one or more of the six objectives of the EU Taxonomy (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems; DPAM uses the data provider S&P Trucost
2. companies aiming for a net positive contribution to environmental sustainability objectives; DPAM uses the data provider Util
3. companies aiming for a net positive contribution to social sustainability objectives; DPAM uses the data provider Util.
4. at the level of the overall portfolio, a minimum of 20% of companies making a net positive contribution* to all the Sustainable Development Goals (SDGs).

The stepwise approach to identify the net contribution of companies partially relies on the data provider ISS Ethix. It links specific products and services to SDG's in either a positive or negative way. Based on a company's different revenue streams, it is possible to assess the overall impact score of a company. Due to outdated revenue stream information or a lack of granularity, a wrong SDG contribution might be made. In some cases, this is corrected through an Impact Correction Note (ICN).

Unter Anwendung der oben beschriebenen Anlagestrategie investiert der Teilfonds **mindestens 80% seines Vermögens** in Wertpapiere, welche die beworbenen ökologischen und sozialen Merkmale erfüllen.

Was das **Monitoring der ökologischen und sozialen Merkmale** anbelangt, so erhält der Portfoliomanager jedes Halbjahr – nachdem die verschiedenen ESG-Screenings durchgeführt wurden – das zulässige Universum seines Teilfonds. Der qualitative ESG-Ansatz ist Teil der aktiven Titelauswahl. Den Portfoliomanagern ist es nicht gestattet, in nicht zulässige Unternehmen anzulegen. Ferner führt die Risikomanagement-Abteilung von DPAM täglich Kontrollen des Teilfonds durch, um mögliche Verstöße gegen die für den Teilfonds geltenden spezifischen Indikatoren zu identifizieren.

Die **Sorgfaltspflicht** in Bezug auf die dem Teilfonds zugrunde liegenden Vermögenswerte bezüglich Umwelt und Soziales ist Teil der Methodik, diese Merkmale zu bewerben. Weitere Informationen finden Sie in den **Richtlinien für nachhaltige und verantwortungsvolle Investments von DPAM**.

DPAM wendet eine **Richtlinie für aktives Engagement** an, um seine eigenen Vermögenswerte zu schützen und externe Effekte der finanzierten Emittenten zu begrenzen.

NO SUSTAINABLE INVESTMENT OBJECTIVE

DPAM ensures that the Sub-fund's sustainable investments do not materially undermine an environmentally or socially sustainable investment objective by:

- **At the issuer level**:
  - Taking into account the principal adverse impacts on the mandatory sustainability factors (hereinafter "PAIs") listed in Table 1 of Appendix 1 of the Delegated Regulation (EU) 2022/1288 which allows for the reduction of the adverse impacts of the investment, in particular by:
  - incorporating several elements to avoid and/or reduce its exposure to activities or behaviour that could affect another environmental or social objective (such as the Global Standards compliance filter and the exclusion of ESG controversies of the highest severity or of the activities most detrimental to the other environmental and/or social objectives);
  - via an engagement process with the invested companies, in accordance with its engagement policy, available at **https://www.dpaminvestments.com/documents/engagement-policy-enBE** (Engagement Policy).
  - An impact calculation methodology which takes into account the positive and negative contribution of the company's products and services to the Sustainable Development Goals (SDGs) in order to optimise the net positive (resulting) contribution.

- **Overall portfolio level:**
  - A rule of a minimum of 20% of assets aligned with the EU Taxonomy, green bonds or recognised equivalents ("use-of-proceeds bonds") or making a net positive contribution to all the SDGs.

ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

The Sub-fund promotes environmental and social characteristics through a rigorous methodology aimed at:

- defending fundamental rights (human rights, labour law, prevention of corruption and environmental protection).
- not funding controversial activities and behaviour that could affect the long-term reputation of the investments.
- promoting environmental, social and governance (ESG) best practices.

The objectives of the sustainable investments that the Sub-fund intends to partially achieve are to invest in (a) companies whose core business is the development of products and services that contribute to the achievement of the 17 environmental or social Sustainable Development Goals ("SDGs"), as defined by the United Nations (UN) (e.g. health products and services, education-related services, water saving and access solutions, energy efficiency solutions, digitalisation-enabling services, sustainable mobility services, etc.) and/or (b) green bonds or recognised equivalents ("use-of-proceeds bonds") via:

- companies aligned with one or more of the six objectives of the EU Taxonomy (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems);
- companies aiming for a net positive contribution to environmental sustainability objectives;
- companies aiming for a net positive contribution to social sustainability objectives; and
- at the level of the overall portfolio, a minimum of 20% of companies assets aligned with the Taxonomy, green bonds or recognised equivalents ("use-of-proceeds bonds") or making a net positive contribution* to all the SDGs.

** The net positive contribution is the difference between the positive and negative impact contributions and is calculated at the level of the invested company and at the level of the overall portfolio. Based on the UN SDGs framework, the net positive contribution takes into account (1) the extent to which the invested company's products and services contribute to the achievement of the SDGs and (2) the negative impacts associated with their activities along the value chain.*

The sustainability indicators used to measure the achievement of all environmental and social characteristics promoted by the Sub-fund correspond to the binding investment restrictions:

a. Zero exposure to companies deemed to be non-compliant with global standards;
b. Zero exposure to companies involved in controversial activities according to the definitions and thresholds stipulated by **DPAM's Controversial Activities Policy** and
c. Zero exposure to companies facing the most severe ESG controversies;
d. A weighted average greenhouse gas (GHG) emissions intensity of the portfolio below the weighted average GHG emissions intensity of the benchmark, calculated over a rolling three year period;
e. A better weighted average ESG profile than its benchmark calculated over a rolling three year period

as detailed in the section below entitled "Methodologies".

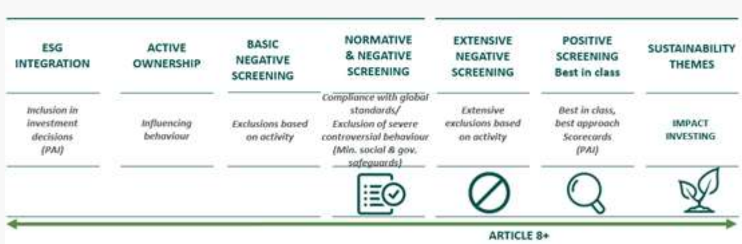
INVESTMENT STRATEGY

The sustainable investment objective pursued by Sub-fund is the result of the consecutive steps of the investment process as schematized at the end of the section.

The sustainable objective is to invest in companies that contribute through their products and services to the 17 sustainable goals defined by the United Nations (UN), such as health products and services, education services, water saving and access solutions, energy efficiency solutions, digitalisation services, sustainable mobility services. It also aims to help companies make progress in their contribution to sustainable development and ESG issues, by engaging in regular dialogue and sharing with them specific areas for improvement that are monitored over time.

As a result, the investment universe is narrowed: the portfolio focuses on net positive companies, i.e. (1) whose core business is the development of products and services that contribute to the achievement of the Sustainable Development Goals (SDGs) and (2) the most advanced in terms of sustainability and engagement on environmental, social and governance risks.

A more general description of the Sub-fund's investment strategy can be found in the individual Sub-fund factsheet in the SICAV's prospectus.



Good governance criteria are an integral part of DPAM's active ownership, engagement and sustainable and responsible investment policies and are included in the investment decision process through the different steps described in the section "What are the binding elements of the investment strategy used to select investments to achieve each of the environmental or social characteristics promoted by this financial product?" above.

DPAM takes these criteria into account in the following ways:

i. **Exclusion filter based on compliance with Global Standards:** Prevention of corruption is one of the four main themes of the 10 principles of the UN Global Compact.
ii. **Exclusion filter for companies involved in ESG controversies of maximum severity:** good governance criteria (business ethics, political lobbying, corporate governance, corruption and accountability of governance bodies on ESG aspects) are the subject of the analysis of controversies, their severity and corrective measures.
iii. **Quantitative ESG approach:** Governance criteria in the broad sense and corporate governance criteria in particular are an integral part of the scorecard exercise.
iv. **Qualitative ESG approach:** Much of DPAM's fundamental research is devoted to governance and corporate governance issues.

Governance issues are also an integral part of the monitoring of investments, notably through DPAM's **Voting Policy** and **Engagement Policy**.

PROPORTION OF INVESTMENTS

By applying the investment strategy described above, the Sub-fund invests a minimum of 80% of its assets in securities that meet the environmental and social characteristics it promotes.

The Sub-fund aims to invest at least 50% of its assets in sustainable investments with environmental or social objectives.

Derivative products, if any, used to achieve the investment objectives will not be used to promote the environmental and/or social aspects.

Based on the above approach, the minimum share of sustainable investments with an environmental objective that are aligned with the EU Taxonomy is: 0%.

Sustainable investments that are aligned with the EU Taxonomy (referred to in the table as "aligned with the EU Taxonomy") consist of investments in companies whose economic activities substantially contribute to the environmental objectives of climate change mitigation and/or adaptation as defined by the EU Taxonomy in accordance with the eligibility and technical selection criteria ("EU Taxonomy Technical Selection Criteria")

DPAM's methodology for assessing the EU Taxonomy alignment of investee companies is based on data provided either by the investee companies or by third party providers. The latter use a mixed approach:
- Firstly, a direct mapping between the business activities in their own sectoral classification system and the economic activities covered by the Technical Selection Criteria of the EU Taxonomy.
- Secondly, any business activity that could not be directly mapped is examined through a bottom-up assessment of its alignment with the EU Taxonomy's Technical Selection Criteria.
-Any economic activity remaining after the first and second steps is considered not to be aligned with the EU Taxonomy.
In principle, the extent to which investments are investments in environmentally sustainable economic activities within the meaning of the EU Taxonomy is assessed by means of turnover (based on performance data provided by third party suppliers).
Where information on the extent to which investments are investments in environmentally sustainable economic activities within the meaning of the EU Taxonomy cannot be readily obtained from information published by the invested issuers, DPAM shall rely on equivalent information obtained by third party providers from the invested issuers.

The compliance of these investments with the requirements set out in Article 3 of the EU Taxonomy will not be subject to a guarantee provided by one or more auditors or a review by one or more auditors or a review by one or more third parties.

Further information on methodology and data resources is available below in the sections "Methodologies" and "Data Sources and Data Processing".

The sub-fund does not seek to invest in enabling and/or transitional activities.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

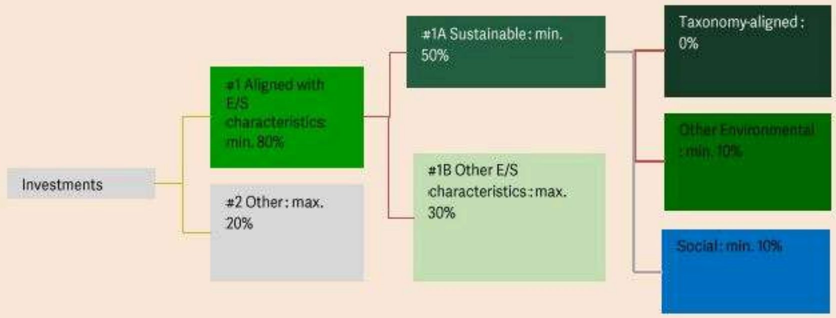
Based on the approach described above, the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy: 10%.
A sustainable investment is considered to have an environmental objective aligned with the Taxonomy Regulation if the issuer's eligible activities reach a 10% threshold of alignment with the Taxonomy Regulation. If the issuer's eligible economic activities do not reach the 10% threshold of alignment with the Taxonomy Regulation or if the issuer's economic activities are not covered by the Taxonomy Regulation, DPAM has adopted and defined a specific framework for identifying the environmental objectives of these sustainable investments and assessing their contribution to these objectives.

This framework uses data from investee companies and third-party suppliers and assesses the negative and positive contribution of (potential) investee companies, as a percentage of their turnover, to the UN Sustainable Development Goals (SDGs) that can be attributed to environmental objectives.

Based on the above approach, the minimum share of socially sustainable investments is: 10%.

A European Taxonomy for Social Sustainability Goals has yet to be developed. In the meantime, DPAM wishes to continue to make sustainable investments that contribute to the achievement of key social goals such as zero hunger, quality education and peace, justice and strong institutions.To this end, DPAM has adopted and defined a specific framework for identifying the social objectives of these sustainable investments and assessing their contribution to these objectives. This framework is based on data from investee companies and third-party suppliers and assesses the negative and positive contribution of (potential) investee companies as a percentage of their turnover to the UN Sustainable Development Goals (SDGs) that can be attributed to social objectives.DPAM will review and reassess this framework when the EU Taxonomy Technical Selection Criteria have been implemented for the social objectives within the EU Taxonomy.

Binding ESG screenings carried out in accordance with the investment strategy described above are applied to the entire Sub-fund, excluding:
- Liquidity
- Derivative instruments
- Collective investment undertakings
- Issuers that do not report sufficient information or are insufficiently covered by ESG research to judge their environmental and/or social characteristics.
The Sub-fund may invest or hold these types of assets in order to achieve its investment objectives, for portfolio diversification, liquidity management and for risk hedging purposes.
The remaining proportion will not exceed 20% of the Sub-fund.
There are no minimum environmental or social guarantees.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

On the trading platform the manager can assess the impact of an investment on the different indicators and characteristics, prior to investing.

The performance of all the different social and environmental characteristics and the sustainable objective of the sub-fund is provided yearly in the Sub-fund's reporting.

Through the electronic trading platform, all portfolio managers have access to the performance of their sub-funds on the sustainability indicators, which serves two purposes. First, the portfolio manager can calculate the impact of a trade on the different indicators or sustainable objective. Second, the portfolio manager can determine the performance of its sub-fund on the different indicators in real time.

Each semester the portfolio manager receives the eligible universe of their sub-fund, after carrying out the different ESG screenings. This eligible universe, or so-called whitelist, is loaded in the electronic trading platform. The steps of the screening include a norms-based screening, a controversial activities based screening and a negative screening based on the controversial behaviour of the companies. The qualitative ESG approachis part of the active stock selection.

Each quarter a blacklist is generated for the sub-fund. This blacklist encompasses companies in which the sub-fund cannot invest due to non-compliance with the Global Standards, failing to pass the activity thresholds detailed in our controversial activities policy or facing a major controversy of maximum severity on environmental, social or governance issues. This signifies that any company presented on the blacklist cannot be invested in.

In terms of control, the portfolio manager is not able to invest in names of its sub-fund 's blacklist. Moreover, as a second line of defense, DPAM's risk department runs a daily check on the different funds to identify potential breaches with specific indicators. The sub-fund enjoys external certifications with external audits on the environmental and social characteristics. This external certification, Towards Sustainability label, is accompanied by a yearly audit.

METHODOLOGIES

The criteria that companies must meet to constitute the investment universe are determined on the basis of independent external research and/or internal DPAM research.

These selection criteria are as follows:

a. **Global Standards Compliance Filter:** Companies must be in compliance with the Global Compact principles (human rights, labour, anti-corruption and environmental protection) and the UN Guiding Principles, ILO instruments, the OECD Guidelines for Multinational Enterprises and underlying conventions and treaties. DPAM uses specific ESG research from non-financial rating agencies to determine whether or not a company is in compliance with these standards.
b. **Exclusion filter for companies involved in controversial activities:** The **DPAM (Controversial Activities Policy)** exclusion policy covers several sectors and economic activities that are controversial in terms of their ethical and sustainable character. For each of these business sectors and activities, the Controversial Activities Exclusion Policy defines the criteria and thresholds for exclusion. Companies involved in these controversial sectors and activities that meet the exclusion criteria formulated in the policy are excluded from the investment portfolio.
c. **Exclusion filter for companies involved in ESG controversies of maximum severity:** Companies must not be involved in ESG controversies of maximum severity, such as incidents or allegations related to environmental, social or governance issues.
d. **Quantitative ESG approach ("best-in-class")**: DPAM filters the universe before applying the ESG and sustainable investment selection methodology according to a screening based on the quality of the ESG profile of companies, assessed by non-financial rating agencies. The last quartile (25%) of the ranking by economic sector is not eligible for investment.

In order to achieve the minimum proportion of sustainable investments that the Sub-fund intends to include, additional criteria that companies must meet are applied:

a. **Qualitative ESG approach**: Quantitative screening is complemented by qualitative analysis based on DPAM's fundamental research and dialogues with companies on financial issues relating to the companies' strategy and the most relevant and material ESG risks and issues to which they are exposed.
b. **Impact research and sustainability themes**: DPAM ensures that the company's products and/or services contribute – as a proportion of its turnover – to the achievement of the 17 environmental or social Sustainable Development Goals ("SDGs") defined by the United Nations (UN), such as health products and services, education-related services, water saving and access solutions, energy efficiency solutions, or services enabling digitalisation, sustainable mobility services, etc.

The compliance and stock exclusion filters based on the binding criteria of the investment strategy apply both at the time of purchase of a position and during the holding of the position in the portfolio.

DPAM draws up exclusion lists which are updated semi-annually. The manager's team acts as the first line of defence and monitors compliance with these exclusion lists (pre-trade and post-trade). The risk management team, as the second line of defence, also applies controls independently, both pre-trade and post-trade.

DPAM uses ESG research from non-financial rating agencies to assess the severity of controversies to which companies are exposed and excludes companies involved in the most severe ESG controversies. DPAM also produces internal analyses of ESG controversies to which companies are exposed. DPAM reserves the right to exclude companies that it considers to be involved in sufficiently serious controversies.

Scorecards are established for each issuer applying for the portfolio. They are updated on an annual basis or on an ad-hoc basis should an event require a revision of the issuer's scorecard.

The calculation of the positive net contribution to the sustainable investment objectives is carried out on a regular basis.

In the event of a deterioration in the ESG profile of a company leading to its downgrading to Global Standards status or the emergence of a controversy of maximum severity regarding the company, the manager will sell the relevant investment in the interests of the Sub-fund's shareholders within three months.

DATA SOURCES AND PROCESSING

The data from the different data sources described below are all fed in the electronic trading platform for the first line of control. Moreover, all data is also used by the Risk department to spot potential breaches. Finally, each quarter the data is also provided to our reporting teams for reporting purposes, albeit quarterly or yearly.

In order to ensure data quality two key checks are conducted. A first continuous quantitative check takes place when importing the data from the different data sources. Second, an adhoc qualitative check is carried out to ensure the coherence between the data used in our internal control systems and the original data from the different data providers.

Below we describe the main different data sources used and the portion of estimated data for each, used to represent the environmental and social characteristics or the sustainable investments, in case relevant, the sub-fund promotes and/or invests in.

- **Sustainalytics:** Global Standards compliance (0% estimated), the ESG profile (0% estimated), and major controversies (0% estimated)
- **MSCI ESG Research:** Global Standards compliance (0% estimated), Exclusion of companies involved in controversial activities (0% estimated)
- **ISS Ethix:** Exclusion of companies involved in controversial activities (0% estimated)
- **Trucost:** GHG intensity calculation (69% estimated), taxonomy alignment (0% estimated)
- **Bloomberg:** Green bond classification (0% estimated)
- **Public data sources**, such as SBTi, Freedom House's Freedom in the World Index, or the Economist Intelligence Unit Democracy Index (0% estimated)

Zero exposure to issuers deemed non-compliant with the Global Standards.

- The data is derived from two data providers, Sustainalytics and MSCI ESG. Both data providers identify companies which face incidents and controversies resulting in the violation of these fundamental rights principles. DPAM takes a conservative approach to this KPI, as an issuer failing one Global Standards' test for either provider, will lead to excluding this issuer.

Zero exposure to issuers facing ESG controversies of maximum severity on environmental, social or governance issues.

- The data provider Sustainalytics scans over 55000 daily news sources to identify potential incidents linked to companies. Eventually, the data provider gives a severity score to each controversy. The severity of an allegation is determined based on the impact, nature, scope, recurrence of the incident, the response of the company, the responsibility of the management and the overall Corporate Social Responsibility policies and practices that are in place within the company. All companies facing a controversy level 5 (from 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 gathers to discuss the controversy level 3 with a negative outlook and level 4 of a distinct industry. Based on thorough analyses of these controversies, it is possible to assimilate them to a controversy level 5 and subsequently exclude them company.

Zero exposure to issuers involved in the excluded controversial activities according to the definitions and thresholds stipulated by DPAM's Controversial Activities Policy

- The blacklist is created each quarter and uses different activity thresholds to exclude specific companies. DPAM's **Controversial Activities Policy** depicts these activities and subsequent thresholds. The data sources to gauge the eligibility of a company are also provided in this controversial activity. The main data sources used in this context are MSCI ESG, ISS Ethix, Trucost and Sustainalytics. The selection of the data provider per activity is dependent on the scope, and assessment frequency of the data provider. Sometimes some publicly available information is used for the exclusions, such as information derived from the Science Based Targets initiative (SBTi).

A weighted average greenhouse gas (GHG) emissions intensity of the portfolio below the weighted average GHG emissions intensity of the benchmark, calculated over a rolling three year period.

- For GHG emissions DPAM uses data extracted from S&P Trucost that itself is derived from company reporting and modeled in case of a lack of data. Companies' revenue, which is also key to follow-up on this indicator, is also derived from the S&P Trucost solution which is based on company reporting.

A better weighted average ESG profile than the benchmark, calculated over a rolling three-year period;

- DPAM uses the data provider Sustainalytics to determine the ESG profile of its investments. DPAM relies on the ESG-scores as calculated by its extra-financial research provider, which has developed specific scoring models for each relevant peer group of companies (i.e. sub-industry). For each peer group, there is an assessment of the key risks associated to the business activity (exposure) and the management of these risks by the issuer (management). Each issuer receives a score between 0 and 100 that can be compared with other companies within each peer group. The highest the score, the better the ESG profile of the issuers (risk management score).

LIMITATIONS TO METHODOLOGIES AND DATA

Several limitations can be identified in relation to the DPAM methodology but also more broadly to 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 depends 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, i.e.:

- 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 capitalizations publishing a large amount of information and sustainability reports, as opposed to smaller market capitalizations 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 practices 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 of certain specific economic activities, to the disadvantage of companies that are highly specialized in one sector of activity.

The goal of DPAM's methodology is to reflect reality as accurate as possible, for its investments to properly promote environmental and social characteristics and sustainable objectives to have an impact on the real-world economy and beyond. Working with data providers may always lead to inaccuracies, which DPAM tries to remedy through different means. Below you will find an overview of the different methodologies with additional steps taken by DPAM to manage the limitations proper to its methodologies and data sources.

An overall comment pertains to the active and research driven investor role of DPAM. Engaging or undertaking a dialogue with companies remains the best possible method to ensure the accuracy of the analyses of data providers, its own research in the form of -for example- scorecards, or the interpretation of raw data extracted from company reporting. It is also a way to convey its main expectations as sustainable investor. Next to engaging, we rely on different external data sources, such as CDP, World Benchmarking Alliance… or specialized broker research. These sources can also be used as input to carry out coherence checks with data derived from its data providers.

One key element of DPAM's methodology is upholding the Global Standards. These aim to uphold four fundamental principles: defend human rights, defend labour rights, prevent corruption and protect the environment. Based on specific criteria stemming from the 10 principles of the UN Global Compact, ESG rating agencies assess the companies' compliance with these 10 principles. The analysis identifies companies which face 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 organization, the Universal Declaration of Human Rights, etc. To ensure that these incidents are properly monitored, DPAM uses two data providers which asses a company's compliance with the Global Standards. In case one of both data providers flags a company as being non-compliant, the company is excluded from the sub-fund 's eligible universe. This conservative approach ensures that no company with a potential breach of these standards is part of the sub-fund.

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, social or governance issues. For this reason, DPAM systematically excludes companies facing the highest controversy level based on reported data by our data provider Sustainalytics. All companies facing a controversy level 5 (from 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 gathers to discuss the controversy level 3 with a negative outlook and level 4 of 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. DPAM believes that this prudent approach enables us to have any exposure to companies facing major controversies or prone to face major controversies in the future.

To ensure the accuracy of these 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 the quarterly sustainability reports. In case a wrong data is identified, DPAM contacts its data provider to rectify the mistake.

The ESG data used to carry out the positive screenings, such as defining the Best-In-Class universe or the input for our in-house ESG scorecard, is also thoroughly checked against company reporting. In case a strong incongruency is observed between the company reporting and the ESG management score of that company by Sustainalytics, leading to an exclusion of the respective company from the investment universe, a waiver might be introduced. This waiver has a standard approach and can only be introduced for companies that are already in portfolio but fail a new eligible universe screening following a Best-In-Class strategy. All waivers need to be approved by the Responsible Investment Steering Group, the official steerring group of DPAM which safeguards all sustainability related aspects of the DPAM. Waivers are re-assessed each year and are not used for a long period of time, as these are introduced for companies temporarily badly covered by Sustainalytics. Details on the content of these waivers and the practical implementation can be read in **DPAM's Sustainable and Responsible Investment Policy**.

Similar to the ESG controversies derived from Sustainalytics, it might happen that the data used for our controversial activity policy might not be the most recent publicly available company disclosure. In cases more recent data is available from company reporting, the data of the data provider is overruled.

DUE DILIGENCE

The due diligence of underlying assets of the sub-fund on environmental and social characteristics or the sustainable objectives, are inherent to the methodology to promote these characteristics or objectives. These include, among other elements mentioned in the Methodologies section: the normative screenings, the controversial activities screening, and the controversies screening (negative screenings).

ENGAGEMENT POLICIES

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 on experience, knowledge and sharing cooperation to adopt the latest **engagement policy**.

In this policy, DPAM explains how it implements its two main engagement objectives namely:

- Engaging for improving the negative externalities of financed issuers
- Engaging for defending values and convictions on E, S and G factors.

The whole process of engagement, including the escalation process, is described in the engagement policy. This policy can have implications for all portfolios managed by DPAM and the scope of the issuers with whom DPAM engages is defined in the policy, in particular by the themes identified as priorities. The issuers are selected because they either have been identified by the controversy review by the Responsible Investment Steering Group or they are in the scope of the thematic priorities DPAM has defined on E, S & G aspects to defend its values and convictions. These values and convictions are described for the different E, S and G aspects and include, among other elements, Paris Alignment and related Net Zero target setting, human rights in value chains, or board oversight of ESG topics.

As described in the data source section, each month the Responsible Investment Steering Group gathers to discuss the controversy level 3 with a negative outlook and level 4 of 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 RI specialists to better understand the sustainable profile of companies. Generally speaking, this engagement will be conducted as individual initiative led by DPAM. If collaborative initiatives regarding the issuer and the controversy are already occurring, DPAM will decide joining the collaborative initiative for a greater effectiveness.

The engagement will traditionally start with a first contact with the issuer to raise our questions and concerns and preliminary list our expectations and objectives in terms of progress. The issuer is invited to acknowledge these concerns and come back with answers and guidance on what could be the expectations and objectives.
For formal engagements, divestment remains the last resort. DPAM aims at a constructive dialogue when engaging with companies and will therefore first use all possible means to improve a non-constructive dialogue, notably: sending reminders with an increasingly assertive tone, seeking additional investor support, raising the issue to board representatives and/or Chairman, using proxy voting if relevant, (co-)submitting or supporting shareholder resolution, sharing results and engagement with peers, etc. DPAM aims at giving itself six months, counting from the date of initial engagement, to reach a conclusion on an issuer. Within this period of 6 months, DPAM will send questions to the issuer, send several reminders (in case of no answer), analyze the answers from the issuer, possibly ask complementary questions, make a holistic analysis of the situation, assess escalation steps such as the ones mentioned above and eventually decide whether to remain invested, to continue the escalation, to divest, and/or to put the issuer on the exclusion list.

Next to the formal engagement, it is useful to mention that ESG considerations are also discussed internally among the responsible investment specialists and the investment professionals to challenge financial and extra financial findings and recommendations. This discussion increases the awareness of investment professionals as regards ESG risks and opportunities and enables a better understanding of sectorial challenges at financial and non-financial levels. It also makes it possible to challenge, where applicable, the external information and assessment of ESG ratings for companies that DPAM receives from specialized agencies.

Finally, the engagement is also an efficient manner to correct backward looking ESG data & research. It enables to have dialogues focusing on the future and on the practices the issuers are adopting to be aligned with the required transition. This forward-looking perspective is essential to ensuring that future company practices are aligned with our current expectations and requirements.