Statement of commitment
Sustainable and Responsible Investment is an essential part of the strategic positioning and behaviour of Degroof Petercam Asset Management. We have been involved in SRI since 2002 and welcome the European SRI Transparency Code.
This is our fifth statement of commitment and covers the period from March 2018 to March 2019. Our full response to the European SRI Transparency Code can be assessed below and is available in the annual report of the retail funds and on our website.

Compliance with the Transparency Code
Degroof Petercam Asset Management is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Degroof Petercam Asset Management meets the full recommendations of the European SRI Transparency Code.

2 March 2018

Degroof Petercam Asset Management offers specialised ESG-SRI funds that select the companies or countries which optimally address global ESG-SRI challenges.

The ten sustainable strategies cover the major asset classes and combine the management expertise of Degroof Petercam Asset Management to construct active and fundamental strategies as well as indices and asymmetric strategies.

The asset classes that are covered are European and international equities, investment grade corporate bonds and government bonds (both OECD and emerging countries).

The sustainability process at the heart of our strategies reflects our commitment to responsible and sustainable investments, i.e.:

1. To defend the fundamental rights pertaining to the respect for human rights, labour, anti-corruption and environmental protection;

2. To assess the seriousness of controversies that issuers may face; to divest or avoid financing companies that are seriously and / or repeatedly involved in controversies, notably when they may affect corporate reputation, long term growth and investments;

3. To promote best practices and encourage on-going efforts towards sustainability.

This commitment is reflected in a three-step procedure that defines the eligible investment universe on a quarterly basis:

- Compliance with the ten principles of the United Nations Global Compact – strategies do not invest in companies that do not comply with them.
- Assessment of the controversy: in addition to excluding the companies involved in the usual controversial activities (tobacco, armaments, pornography and adult entertainment), the strategies do not invest in the most controversial companies (controversy level 5 (scale from 1 to 5 being the worst) and possibly controversy level 4 in case of a negative assessment by our steering group).
- Quantitative assessment of the ESG score of companies: the strategies do not invest in companies with a low ESG score within their sector of activity.

We reserve the right not to invest in companies with less serious but still major allegations (level 4 on the scale of 1 to 5). In this context, we engage in a direct dialogue with the involved company and the independent ESG research providers to promote best practices and to deepen our understanding of the allegations in question.

The Responsible Investment Steering Group (RISG) has complete discretion over the seriousness of the controversy in all circumstances and may therefore, on the basis of an in-depth analysis, make a different decision on the level of controversy of a company.
The Degroof Petercam **Responsible Investment Steering Group** coordinates and initiates all these activities and processes. It brings together committed professionals who are aware of ESG-SRI issues from different business lines of the group such as fund management, private banking, institutional sales and the legal department. It is chaired by the CEO of the asset-management company DPAM.

On a daily basis, the sustainable activities are managed by the Responsible Investment Competence Center which is composed of four FTEs and headed by Ophélie Mortier, the Responsible Investment Strategist. The RI Specialists support the company’s expertise in the field of ESG and conduct ESG analysis using leading external and internal research. Daily interaction with the buy-side analysts and fund managers is strongly encouraged to increase awareness and to incorporate our ESG considerations into the fundamental analysis and bottom-up selection of the companies in which we invest.

The selection processes therefore adopt a multidimensional approach combining normative screening, negative screening and positive screening.

With its ESG-SRI Fixed Income and Equities expertise Degroof Petercam Asset Management targets a **double alpha**: (1) the alpha derived from the construction of the sustainable eligible universe, and (2) the alpha generated by the investment process. Degroof Petercam Asset Management maximises the expected returns of the portfolio constructed within the sustainable investment universe.

In addition to offering dedicated ESG-SRI funds, Degroof Petercam Asset Management aims to raise awareness of ESG-SRI challenges throughout the entire company by excluding producers of anti-personnel mines and cluster ammunition from all its funds, organising information sessions on specific ESG-SRI topics, incorporating various relevant ESG issues in its corporate policy, making buy-side analysts and fund managers aware of ESG risks and opportunities, and including these aspects in the financial analysis (equity and fixed income) framework.

In 2016, Degroof Petercam Asset Management reaffirmed its commitment to implement the **United Nations Principles for Responsible Investment** (UN PRI), a network of which DPAM is a signatory since September 2011. Degroof Petercam Asset Management is also an active member of several national **Sustainable Investment Forums** (SIF), which allow the financial community and NGOs to exchange ideas and promote sustainable investment. In addition, Degroof Petercam Asset Management has a formal policy of responsible voting that applies to all the investment funds managed by the Company.

At the company level, Degroof Petercam Asset Management and its staff participate in various **charity events**. Degroof Petercam Asset Management encourages the use of public transport for its employees. Degroof Petercam Asset Management experts are often consulted by the media, including on extra-financial topics. Degroof Petercam Asset Management is committed to sharing its knowledge with the board public on specific topics, as part of its societal responsibility. Degroof Petercam at the group level also invests in sustainable funds for the employee pension fund. Finally, it is worth mentioning that Degroof Petercam also offers philanthropic services and private investments with a social and/or environmental impact.
Article 1. List of funds covered by the Code

Name of the fund: DPAM Invest B Equities NewGems Sustainable
Dominant/preferred SRI strategy:
- Norms-based screening leading to exclusions
- Best in class investment
Asset Class: Actively managed, international shares
Exclusions standards and norms:
- Controversial weapons
- Alcohol
- Tobacco
- Arms
- Nuclear power
- Human rights
- Labour rights
- Gambling
- Pornography
- Animal Testing
- Conflict Minerals
- Biodiversity
- Deforestation
- CO2 intensive (including coal)
- Genetic engineering
- Other (please specify)
- Global Compact
- OECD Guidelines for MNCs
AUM 31/12/2017: € 33.7mln

Links to relevant documents
- Prospectus, annual reports, fund factsheet, KIID: https://funds.degroofpetercam.com/
- Dedicated SRI webpages: https://funds.degroofpetercam.com/
- Voting policy: https://www.degroofpetercam.com/content/atom/contentRepository/content/EN_DPAM%20Voting%20Policy%20revised%20March%202018.pdf?id=010c0106-aaec-43c4-870a-a7da23a8a5d0
- Detailed fund holdings and other documents available to investors: https://funds.degroofpetercam.com/

Article 2. General information about the fund management company

2.1 Provide the name of the fund management company managing the fund(s) to which this code apply.

Degroof Petercam Asset Management SA/NV
18, Rue Guimard - 1040 - Brussels - Belgium
TVA BE 0886 223 276 - RPM Brussels
sustainable@degroofpetercam.com
2.2 What are the company's track record and principles when it comes to integrating SRI into its processes?

The new management company resulting from the merger of Degroof Fund Management Company and Petercam Institutional Asset Management, DPAM, reiterated the commitment made in 2011 by signing the United Nations-sponsored Principles for Responsible Investment (UN PRI) to encourage the integration of environmental, social and governance (ESG) factors into the investment decision-making process. Signing these principles commits the Company to adopting and implementing the six UNPRI guiding principles. This publicly demonstrates its commitment at the highest level to consistently integrate ESG factors as an actively sustainable asset management firm, and to contribute to the development of a more long-term investment approach with a more sustainable focus.

- Degroof Petercam Asset Management launched its first sustainable strategy in European equities at the end of 2002 at the request of an institutional investor. At that time, Degroof Petercam Asset Management decided to rely on independent extra financial research. In 2007, Degroof Petercam Asset Management received the same request for a portfolio invested in euro sovereign bonds. Given the limited availability of extra financial information regarding countries, Degroof Petercam Asset Management set up an Advisory Board to develop an in-house ESG screening covering all OECD Member States. This has led several research teams to consider ESG factors throughout their investment processes.

- Degroof Petercam Asset Management signed the United Nations Principles for Responsible Investment (UNPRI) in September 2011. The link to our questionnaire and the answers can be found [here](#).

- In August 2012, Degroof Petercam Asset Management appointed a fully dedicated Responsible Investment Strategist to further implement the six principles of the PRI and to strengthen the company’s efforts to fully transition towards an ESG-aware fund management company. The resulting Responsible Investment Competence Center has appointed three additional FTE’s over the course of 2017 and 2018.

- The commitment of Degroof Petercam Asset Management goes further than its domestic market. DPAM’s membership in several national sustainable investment forums (SIFs) promoting responsible finance illustrates the group’s strategic commitment in the field of responsible finance. By being part of collaborative and dynamic global networks, DPAM gains access to a better understanding and knowledge of risks and opportunities related to responsible investments.
Principles

- **Materiality of ESG criteria**
  Degroof Petercam Asset Management focuses on criteria that could affect the core drivers and most important financial metrics of the company. In a first step, we identify strategic challenges regarding ESG issues.
  
  In a second step, the approach is focused on the materiality of these ESG issues i.e. identifying medium-term risks and opportunities and how the companies or countries are preparing for them. Whilst we assess a range of ESG criteria, our focus is on identifying issues which have a material impact on the sustainability of a company’s activity and therefore its profitability and creation of shareholder value.

  As part of Degroof Petercam Asset Management’s approach to responsible investment, ESG integration is the result of a collaborative discussion between Responsible Investment specialists, financial analysts and fund managers, in a spirit of open-mindedness, dialogue and intellectual challenge. The ESG criteria that are used are selected in close co-operation between financial and ESG analysts with a view to ensure the highest materiality and relevance. Selected issues are discussed openly and compared against the analysts’ experience of the sector in question. This exchange of views aims to raise awareness among Buy-side analysts of ESG risks and opportunities and to identify sector’s specific challenges from both sides, i.e. financially and extra-financially. This discussion also allows us to list questions and remarks to be brought to the attention of the third-party providers’ sector analysts so as to ensure the optimal adequacy between each sustainability challenge and the associated material indicator.

- **Holistic and transversal approach**
  The objective is to integrate ESG factors in the investment process, from the research phase to the final decision-making, by integrating key factors in all asset classes.
  
  The holistic approach also covers sectors which are inherently unsustainable and considered as ESG-unfriendly, such as metals and mining or gas and oil.
  
  Up to now, oil, gas and mining were necessary to economic development. Rather than adopting a negative approach via exclusion - which could lead to distortions in terms of sector underweighting and overweighting - we prefer to apply a positive approach by selecting the leaders versus the laggards within each sector, and identifying the organisations promoting best practices through their economic and social activity.

- **Sector specificities**
  ESG covers a wide range of issues. To be efficient and avoid a dilution of the signals ESG could give, Degroof Petercam Asset Management has defined key ESG issues that pertain to their particular industry. Within each sector and sub-sector, a number of specific sectorial criteria have been retained to reflect sector-specific drivers and accurately identify the companies which are in a better position to face the challenges identified.

- **Engaged Dialogue and promotion of Best Practices**
  Parallel to the UN PRI philosophy, the aim is to promote best practices in all sectors by privileging their promotion and identifying leaders and laggards in the ESG field.
  
  Company meetings are an opportunity to foster communication and are a way to assess the ESG involvement of companies in which Degroof Petercam Asset Management invests or may invest.
• **Long-term approach and learning process**

Integrating ESG factors in mainstream investment funds and research is a long-term and permanent learning process. Degroof Petercam Asset Management adopts a dynamic and pro-active approach to improve its knowledge, research process and methodology through discussion, debate and interaction with external experts, sector analysts, macro analysts and all involved parties. The lists of key ESG factors for each sector are reviewed regularly since ESG factors can become more or less relevant and more or less material over time.

As a shareholder and economic actor, Degroof Petercam Asset Management bears a social responsibility. By means of its voting policy, it influences the companies it invests in, with a view to ensure that they are managed according to the best ESG practices. Degroof Petercam Asset Management makes sure that the rights of shareholders are respected, and beyond, the group promotes the rights of other stakeholders. The voting policy fully discloses Degroof Petercam Asset Management’s vision on corporate governance within listed companies, its expectations as well as its approach as a responsible investor. The four principles governing our voting policy are the following:

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

ESG criteria are an integral part of the voting policy of the group. The fourth principle of the voting policy is related to ESG namely “Degroof Petercam Asset Management adheres to the recommendations of the OECD in terms of social and environmental responsibility of companies. Social, environmental and economic objectives must be at the heart of the company’s objectives and respecting them is the primary mission of these companies’ boards of directors. The boards must be capable of assessing and understanding not only the commercial and reputational impact of a company’s activities, but also their environmental and social impact. In order to do so, the managers need to make sure that the procedures and required controls are put in place to manage this impact. Degroof Petercam Asset Management considers that a company is run in a responsible and sustainable manner when it is managed in accordance with the applicable corporate governance best practices, when it nurtures its human capital and doesn’t only regards it as a cost centre, and when it respects the environment in which it operates globally.”
2.3 How does the company formalise its sustainable investment process?

Our ESG analysis framework is built on three principles.

One of the foundations of responsible investments is to respect and defend the basic and fundamental rights. Our ESG analysis for companies upholds compliance with the ten principles of the United Nations Global Compact. Initiated by the United Nations, the Global Compact principles provide companies with a practical framework to develop and promote sustainable business models and markets. These principles are universally accepted and pertain to four areas: human rights, labour rights, environment and anti-corruption. Next to the UN Global compact, we aim to integrate these values into our sustainability models on government bonds and we further underwrite the importance of democratic values by refraining to invest in authoritarian countries.

A second cornerstone of Degroof Petercam Asset Management’s sustainable investment process is our controversial activities screening. We exclude investments in controversial sectors such as armament, gambling, tobacco and pornography. We have implemented a sound framework with a clear controversial activity policy, which enables us to avoid controversies that can affect companies long-term growth and reputation. Moreover, we actively engage with companies on these issues and remained invested if we feel the ESG profile is improving.

Thirdly, beyond respecting fundamental rights and assessing controversial activities, we aim to be a responsible and transparent shareholder throughout our processes by offering integrated sustainable investment solutions. This means that we are convinced that sustainability considerations should be integrated in investment research by assessing relevant sustainability indicators and by avoiding those companies that are lagging behind and that aren’t making any progress with regard to ESG criteria. Beyond implementing these values in our research, we are committed to be transparent about our processes and outcomes before our stakeholders and to continuously engage in dialogue with companies, experts and peers so that to promote best practices and to continuously improve our ESG performance.

ESG analysis is an inherent part of the investment process. It is a crucial element in selecting the stocks that are part of this conviction portfolio. The process can be summarised as follows:
2.4 How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?

It is DPAM’s conviction that today’s global challenges can be tomorrow’s opportunities. DPAM is capitalising on its more than seventeen years of experience and expertise to actively integrate global ESG challenges into its investment approach, in a rigorous and disciplined manner, and to the benefit of our clients.

As an actively sustainable asset manager, Degroof Petercam Asset Management is well aware of the multiple challenges faced by our planet, such as climate change, resource scarcity, the loss of biodiversity and the mismanagement of water supply, to name but a few. At DPAM, we are convinced that we can have a positive contribution to the society as a whole when we invest in companies and states that take such ESG challenges into account. It is our vision that each investment decision has an impact, and that each ESG effort contributes to a superior well-being on the long-run for the society as a whole.

By identifying risks related to ESG challenges we can get a better understanding of the broader risks involved in an investment, and this makes our fund management strategies more proactive. By integrating ESG factors into our investment processes, we identify investment opportunities and generate added value for all stakeholders.

In this regard, our investment decisions are not only based on reliable internal and external sources of information, but also on the extensive knowledge of renowned and independent experts whom we invite and consult regularly, notably as part of our Responsible Investment Corner.
Responsible Investment at DPAM takes place at group level and follows a team-based and consensus-based approach. The ESG risks and opportunities are identified as top-down views to be integrated in asset allocation mainly through sector or sub-theme allocation. In effect, this top-down approach led several of our SRI funds to divest from the oil & gas and utilities sectors.

Furthermore, thanks to internal and external data and the in-depth analysis of fundamental research, those risks and opportunities are integrated via a bottom up approach by investing preferably in the companies which are anticipating these risks and opportunities and that consequently constitute sustainable franchises. In practice, this bottom-up approach takes the form of a stock-picking that closely integrate ESG aspects with conventional financial considerations. Portfolio managers are supported by DPAM’s Responsible Investment Competence Centre (RICC), which is a team dedicated to SRI expertise within our group. Besides, our teams of fundamental analysts are increasingly integrating ESG aspects into the research and recommendations they submit to our portfolio managers. The RICC is also providing support to the fundamental analysts, helping them to continuously increase their ESG expertise. As an example, the RICC and fundamental analysis teams had successfully detected VW’s unsatisfactory corporate governance practices ahead of the Dieselgate scandal. Thanks to that, DPAM’s SRI Equity funds had no exposure to the stock when the controversy erupted in September 2015.

Best-In-Class screening are also applied onto all our SRI funds, but the two thematic strategies. The Best-In-Class screening allows us to screen-out the worst performing companies in terms of ESG score. This helps us mitigating ESG risks within our portfolios.

We further limit ESG risks by way of a Normative ESG screening, consisting of a U.N. Global Compact screening as well as the exclusion of companies that are exposed to serious ESG controversies. Our Responsible Investment Competence Centre thoroughly reviews all significant ESG controversies, and presents its conclusion to DPAM’s Responsible Investment Steering Group (RISG, which is chaired by DPAM’s CEO and gather-up several key investment professionals) which ultimately decides whether companies should be excluded. This normative ESG screening helps us mitigating ESG risks within our portfolios.

Additionally, DPAM apply a controversial activity screening on all its Sustainable funds. Companies involved in Armament, Tobacco, Gambling or Adult entertainment & pornography, are excluded.

At last, the carbon footprint, which is calculated a posteriori and at one fixed moment of time, illustrates the integration of those ESG risks and opportunities at the inception of the investment decision making process, within Degroof-Petercam Asset management. DPAM calculates the carbon footprint of its Sustainable funds, based on the GHG Protocol, and covering the emissions of six greenhouse gases. The measurement is based on data on the scope 1 and 2, as we consider that the scope 3 are still improperly measured at this point in time. DPAM currently use Bloomberg data as these are data reported by companies, and not estimated data. Doing so, we avoid any bias related to estimates, and we ensure a high comparability of carbon data across and within sectors. DPAM calculates both the carbon intensity of investment portfolios (emissions per euro of sales revenues), and the carbon efficiency investment portfolios (emissions per euro invested).

By combining our Top-down approach, Bottom-up approach, Best-In-Class screening, Normative screening, Controversial activity screening and Carbon Footprint measurement, DPAM aims at building successful sustainable investment strategies that considerably reduce portfolios’ impact on the environment.

General information about DPAM’s commitments and practices as a responsible asset manager are publicly available on DPAM’s website: https://www.degroofpetercam.com/en/social-impact/social-responsible-investments/responsible-asset-manager

2.5 How many employees are directly involved in the company’s sustainable investment activity?

The resources allocated to our ESG/SRI activities are at mainly three levels:

1. The Responsible Investment Steering Group (RISG)

In terms of responsible investment, Degroof Petercam has set up a Steering Group for responsible investment, which is the initiator and guardian of the group’s mission to be a leading responsible investor.

The Responsible Investment Steering Group (RISG) oversees the implementation of DPAM’s mission statement with regard to Responsible Investment. The RISG is both the pioneer and the guardian of the coherence, consistency and credibility of DPAM’s investment process in the light of our strategic commitment toward Responsible Investing. The RISG’s supervision covers institutional asset management and private banking (10 persons in total). In addition, its role is to inform and advise other business lines of Degroof Petercam (corporate, brokerage, asset services), domestically as well as internationally. Its role is (1) to promote responsible investing and to spread ESG knowledge within the group and beyond and (2) to enhance RI & ESG expertise internally and externally. Among other tasks, the RISG ensures the integration of ESG issues into investment analysis and decision-making processes by developing ESG-related tools, metrics and analyses. It ensures the transparency and consistency among the approaches, methodologies, products, solutions and services offered by DPAM. The RISG validates initiatives related to responsible investment. As a guardian of the Principles for Responsible Investment promoted by the United Nations, the RISG informs and educates all in-house stakeholders, and raises awareness of ESG issues among the research, portfolio/fund management, risk and compliance entities. The RISG meets every month. All decisions are taken by consensus. When a consensus cannot be reached, members are required to vote and the decision is taken by simple majority, provided that 50% of the members are present. Only the members of the RISG have voting rights.

2. The Responsible Investment Competence Center

- The Responsible Investment Competence Center (RICC) is headed by the Responsible Investment Strategist and comprises three additional full-time ESG specialists (four persons in total). The RICC guides all initiatives, methodologies and projects related to the ESG aspects of the investment processes. The RI Strategist reports directly to the Management Board of Degroof Petercam Asset Management.

- The activities of the RI Competence Center are threefold. Firstly, the members of the RI Competence Center continuously focus on increasing the ESG expertise of the company. This includes the analysis of new developments as well as the monitoring of the internal ESG strategies and the active involvement in further enhancing the construction and the quality of these strategies. The ESG specialists support the investment teams (both the 13 portfolio managers and the 17 Buy-side analysts) in gathering detailed qualitative information on specific companies or sectors. The Responsible Investment specialists challenge the analysis of extra-financial research providers and engage with targeted companies for fact-checking means and in order to reach the best possible conclusions. In general, the RI competence centre acts as the internal point of contact for all questions relating to our ESG strategy and investment approach. Secondly, the RI Competence Center acts as the ESG specialist for external commercial activities. Our ESG Strategist is often asked by the media to comment on ESG related topics and the whole team supports the sales teams of the company to explain our ESG commitment to clients, to comment on our strategies and dedicated products and to optimize recurring ESG-related reporting and information. Internally, the team also engages in interactions with the different departments of our company, for example by organizing ESG-themed presentations, with a view to optimize the awareness about our ESG competencies. Finally, our ESG competence centre actively materializes the company’s ESG commitment through international membership in various regulatory and topical organizations and through building out the company’s activities in terms of proxy voting and engagement. The RI competence centre acts for example as the privileged contact point for all matters pertaining to the UN PRI.
3. Integration into research teams

Since ESG research and themes may have a material impact on investment management decisions, our research and management teams are well informed on ESG issues, themes and issuers profiles whenever this is deemed to be relevant. The RI expertise revolves around a solid responsible investment competence centre, that includes specialists working in each of the investment competences: Fixed Income Fund Management, Credit Research, Equity Management and Equity Buy-side Research.

Degroof Petercam Asset Management has a team of 11 buy-side equity analysts, 6 credit analysts, 3 macro researchers, 11 portfolio managers of multi-asset portfolios, 10 fixed income portfolio managers and 16 equity portfolio managers.

The investment teams and the ESG competence centre all share the same floor in our building so that to encourage active interaction. Our investment teams are trained to signal potential ESG issues, to comply with and to understand the construction of our eligible universe and to interpret external extra-financial research on specific companies or industries. In case of specific controversies or questions, our investment teams interact with the RI competence centre in order to support their analysis and decision-making. Meanwhile, our RI competence centre aims to assist regularly on the recurring investment strategy meetings of the different investment teams in order to better understand their views and expertise and to encourage a daily dialogue between the qualitative and quantitative aspects of our ESG strategy.

2.6 Is the company involved in any RI initiatives?

As an Asset Management firm committed to a sustainable finance that is more long-term oriented, Degroof Petercam Asset Management is an active member of different organisations in Belgium and abroad, that are promoting responsible finance. Thus, DPAM is a member of several national sustainable investment forums (SIFs). By being part of collaborative and dynamic global networks, DPAM is continuously nurturing its knowledge of ESG risks and opportunities and its responsible investments practices.

- Belgium: BEAMA SRI working group & Febelfin SRI Working Group.
- Italy: Forum per la Finanza Sostenibile: [http://finanzasostenibile.it/](http://finanzasostenibile.it/)
2.7 What is the total number of SRI assets under the company’s management?

Degroof Petercam Asset Management currently manages ten specific SRI funds:

- **Sustainable Equity Europe**: selecting the equities from European companies which put ESG challenges at the heart of their economic development (more than 28 m€ AUM at the end of March 2018);
- **Sustainable Equity World**: selecting the equities from Worldwide companies which put ESG challenges at the heart of their economic development (more than 411 m€ AUM at the end of March 2018);
- **Sustainable Investment Grade Corporate bonds denominated in euro**: selecting the IG corporate bonds from worldwide companies which put ESG challenges at the heart of their economic development (more than 868 m€ AUM at the end of March 2018);
- **Sustainable Global OECD sovereign debt**: selecting the states which care about their sustainable development by upholding democratic values and individual liberties, investing in education and innovation and by meeting equally the needs of the present population without compromising the ability of future generations to meet their own needs (more than 162 m€ AUM at the end of March 2018);
- **Sustainable Emerging market sovereign debt**: capitalising on the growth of emerging markets but not at any price by selecting the states which care about their sustainable development, particularly which uphold democratic values and individual liberties (more than 1150 m€ AUM at the end of March 2018);
- **Sustainable Global balanced expertise**: selecting the companies and the states which put ESG challenges at the heart of their economic development while ensuring a healthy and balanced diversification in terms of asset classes, geographical allocation and risk correlations (more than 58 m€ AUM at the end of March 2018);
- **Sustainable Food Trends equity expertise**: selecting agricultural companies across the value chain which aim for sustainable agriculture and which provide solutions to the food challenge (more than 49 m€ AUM at the end of March 2018);
- **Sustainable NewGEMS equity expertise**: selecting companies which are the winners of tomorrow in themes such as nanotechnology, e-commerce and cyber security (more than 39 m€ AUM at the end of March 2018);
- **Sustainable EMU SRI MSCI index passive expertise**: investing in EMU equities in keeping with the guidelines of the MSCI SRI EMU index (more than 59 m€ AUM at the end of March 2018);
- **Sustainable US SRI MSCI index passive expertise**: investing in US equities in keeping with the guidelines of the MSCI SRI US index (more than 90 m€ AUM at the end of March 2018);
- **Sustainable World SRI MSCI index passive expertise**: investing in global equities in keeping with the guidelines of the MSCI SRI World index (more than 94 m€ AUM at the end of March 2018).

All information about the sub-funds can be found on [https://funds.degroofpetercam.com/](https://funds.degroofpetercam.com/)
Article 3: General information about the SRI fund that come under the scope of the Code

3.1 What is (are) the fund(s) aiming to achieve by integrating ESG factors?

The DPAM Invest B Equities NewGems Sustainable strategy for global equities meets our threefold commitment:

1. To uphold fundamental rights as defined in the United Nations Global Compact
2. To avoid controversial activities that may affect reputation, long term growth and investments
3. To be a responsible shareholder and to foster best practices and evolutions

- The NewGems Sustainable fund is an actively managed, long-only strategy which is focused on global multi-thematic equities which are the winners of the future. With a strong belief in the fourth industrial revolution, the investment process is characterized by a pragmatic top down approach combined with bottom up stock picking, and a bias towards companies in the United States as well as under-researched mid-caps. Rather than focusing on one theme, the NewGems Sustainable strategy encapsulates seven main themes: nanotechnology, ecology, wellness, generation Z, e-society, manufacturing 4.0 and security. By using a proprietary ESG scorecard, we are able to analyse material factors on a sub-theme basis with a forward looking approach. Over the long term, we believe these factors play a critical role in driving value for our investors. The goal is to outperform the MSCI World All Net Return Index on a 5 year rolling period.

- From new technologies which decrease energy usage, to devices which encourage healthier lifestyles, we believe this fund invests in themes which drive significant positive sustainability impacts across sectors. Disruption is rife across sectors, and emerging technologies such as artificial intelligence and robotics touch upon a number of sustainability issues which are difficult to ignore. For example, neuromorphic chips can create machines which are as intelligent as humans. With a rising number of disruptive technologies, regulation is also catching-up. Therefore, understanding the impact on society and foreseeing any potential risks from regulation is an important part of the process. Accordingly, by fully integrating sustainability risks and opportunities throughout the investment process, we believe we are able to create long term shareholder value.

- With its ESG-SRI Fixed Income and Equities expertise DPAM targets a double alpha: (1) the alpha coming from the construction of the sustainable eligible universe, in addition to (2) the alpha generated through the investment process. DPAM maximises the expected return of a portfolio constructed within the sustainable investment universe. The objective is to offer best-in-class ESG-SRI funds with the purpose of having a similar long-term performance as a classic fund. DPAM uses an objective multi-dimensional quantitative approach in its ESG-SRI selection process.
The full details of the sub-fund can be found on https://funds.degroofpetercam.com/
3.2 What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)

On a daily basis, the management of the sustainability integration initiatives is executed by the Responsible Investment Competence Center which consists of four ESG specialists that serve as a knowledge pool for our analysts and portfolio managers and that will promote and develop our values externally. In terms of ESG analysis, the RI specialists support our analysts in forming opinions on sustainability profiles of companies, identify new areas of required research according to developments in the market, and continuously monitor the positions of their assigned sustainable strategies. The RI specialists further take the lead in the assessment of significant controversies in continuous cooperation with our research analysts and portfolio managers. For the final eligibility assessment of controversial companies, we also rely on the votes of our Responsible Investment Steering Group.

In terms of sustainable investment management DPAM distinguishes itself by integrating responsible investment indicators in all buy-side investment cases, regardless of the sustainability mandate of the final investment fund. DPAM employs a team of 6 credit and 11 analysts with well diversified experience across sectors. By combining the sector expertise of our analysts with the ESG-analysis from our responsible investment specialists, we are able to identify the key sustainability drivers for each sector, and to assess companies ESG performance accordingly. Our buy-side recommendations systematically include at least a general overview of the company's E, S and G performance. Eventually, our buy-side recommendations will be supplemented with specific sector- or criteria-related ESG research and/or engagement initiatives when the ESG information available on the company is insufficient. When our research teams require more in-depth research on a particular stock or industry, they reach out to our ESG specialist for further analysis and assistance. Presently, 13 of our portfolio managers (across asset classes) are involved in managing sustainable investment funds for which they also integrate ESG-considerations in their bottom-up stock selection.

Our external resources include extra-financial, company-specific and industry-wide research from the two leading extra-financial rating agencies Sustainalytics and MSCI ESG Research. Together, these agencies employ more than 300 experienced ESG analysts. The remuneration of extra-financial information agencies substantially differs from that of financial rating agencies, avoiding any conflict of interest. The independence and objectivity of the provided information is therefore guaranteed. Nonetheless, the corporate governance of an extra-financial information company is also part of its selection process. Other elements taken into account are the relevance of the information, the coverage, and the reactivity towards controversies and market events, for instance how long it takes to cover a security that enters the universe.

Beside MSCI and Sustainalytics, we have access to a large amount of ESG data produced by various international sources of reference and a wide set of brokers with specialized research on selected ESG-related topics, which helps us to continuously develop our in-house ESG assessment methodologies. Both our RI specialists and the investment teams have access to these information sources. Our buy-side analysts can also access a large number of ESG-related data points on our external analytics platforms in support of their reflections.
Finally, DPAM regularly teams up with various external experts and engages in dialogue with other key players in the market. Each quarter, the RI competence centre organizes responsible investment corners in which we invite various experts to share their knowledge with our employees on a specific topic. We also engage experts in our topical working groups in which we construct an opinion on emerging sustainability themes, in our voting policy and in our Fixed Income Sustainability Advisory Board (FISAB). The FISAB consists of four internal professionals and four external experts with well-diversified specialties including international politics and economics, environment, geopolitics and climate change, and governance of migration. The members of the FISAB together approve and enhance our proprietary ESG models assessing the sustainability of countries. Due to the combination of various areas of expertise, the FISAB has been able to construct a holistic view of country sustainability, and it continuously provides guidance on the usage and possible addition of relevant criteria.

3.3 What ESG criteria are taken into account by the fund(s)?

For companies, we firstly look at severe controversies linked to human rights, labour rights, environment and anti-corruption in order to assess compliance with fundamental rights. Next to these criteria we assess E-, S- and G-performance using a wide set of universal and sector-specific criteria that incorporate exposure, performance and progress. For our broad large-cap strategies we use the ESG criteria as defined by Sustainalytics and MSCI in their scoring models (see also question 2d) which distinguish between criteria for preparedness, criteria for disclosure and criteria for performance. For these large-cap strategies, ESG scores from MSCI-ESG and Sustainalytics are used to perform the Best-In-Class screening.

In order to assess controversial companies and for our thematic and small cap strategies, we use our own ESG scorecards based on criteria defined by our RI specialists in cooperation with our research analysts. Next to our own research, we use the ESG indicators made available by Sustainalytics and MSCI-ESG to feed our in-house ESG scorecards.

The ESG criteria used within our investment processes vary from sector to sector in order to accurately take into account sector specific ESG challenges. For instance, in sectors that are more directly related to consumer services (such as the financial sector or telecommunications) we are using ESG KPI’s that assess the relationship with clients in terms of communication, marketing, commercial and contractual practices. Concerning sectors that are more directly exposed to environmental issues, we have selected several relevant key indicators pertaining to pollution prevention, the mitigation of greenhouse gases emissions, or the reduction of the water footprint, among other topics. By way of selecting ESG indicators that are relevant to each company we analyse, we ensure that our ESG scorecards suitably apprehends all dimensions of a company’s ESG performance. This enables us to identify ESG strengths (i.e. investment opportunities) and weaknesses (i.e. ESG risks) for each company.

As an example of ESG scorecard, for the ESG analysis of Microsoft the RICC, fundamental analyst and portfolio manager defined together the following list of ESG issues: Data privacy & security, Carbon emissions, Opportunities in clean-techs, Human capital development, and the relationships with Governments (including the corruption & instability risk posed by data handling, e.g. the Cambridge Analytica scandal). Based on specifically selected ESG Key-Performance-Indicators, Microsoft has been granted a score for each of these issues. These scores are then aggregated into an overall ESG score for each company, which is integrated into the decision matrix that is eventually used by portfolio managers to determine their investment decisions.

With respect to corporate governance, key indicators in our analysis include the structure and independency of the board and the audit committee, the split between the Chairman and CEO role, the existence of controlling shareholders, the share class structure and the principle of one-share-one-vote, related party transactions, executive pay and significant minority shareholder votes.
3.4 What principles and criteria linked to climate change are taken into account in the fund?

Please refer to the environment section from 3.3. Climate change metrics are assessed on a sector-by-sector basis. Where these issues are material, they are integrated into the investment outlook for the company. Depending on the company’s activity, our ESG scorecard will consider indicators such as: the carbon footprint of the products range, the Carbon footprint of the company’s operations, whether the company is positioned to benefit from clean-tech opportunities and climate regulations, or conversely whether emerging green-techs and climate regulations are challenging the company’s business model (notably the risk of stranded assets).

3.5 What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

To build the investment universe for equities and corporate bonds, we rely on norms-based screening, assessments of controversies, exclusions of certain sectors and quantitative screenings.

**Normative ESG screening**
Companies are assessed on the basis of the 10 Principles of the UN Global Compact, which are grouped into four major domains: human rights, labour rights, environment and anti-corruption efforts. On a quarterly and ad hoc basis, non-financial rating agencies carry out a compliance screening to detect which companies are facing severe controversies and incidents falling into the scope of the four domains of the Global Compact. The severity of the allegations is assessed based on national and international law, but it also takes into account internationally-accepted ESG standards, such as the OECD Guidelines for Multinational Corporations, ILO Conventions, the Universal Declarations of Human Rights, etc. Following the assessment, companies are classified as compliant, non-compliant or are placed on a watch list. Companies that do not comply with the UN Global Compact are not eligible to be part of our investment universe. The names placed on watch status are monitored over a longer period so that to determine whether structural progress is being made in risk management or performance, or whether the impact of the controversy is less than initially thought.

**Controversies and exclusions**
In terms of controversial sectors, the following sectors are excluded from the investment universe: tobacco, gambling, defence and pornography. Other controversial sectors or business activities were not specifically excluded since the inception of our funds but they are still covered by our Controversial Activities policy. We refrain from applying broad sector exclusions on sectors that are playing a necessary role supporting the foundations of our economy. Instead, we favour a positive approach, selecting those companies that are well-positioned, that are advancing and that are leading their sector with respect to sustainability best practices. We also assess companies on the basis of the allegations they (might) face in relation to ESG controversies because controversies serve as an important indicator of the effectiveness of ESG-related policies and programs. The assessment of controversies starts from the controversy ratings that are delivered by our extra-financial research provider Sustainalytics. Sustainalytics applies ESG filters and company identifiers on more than 55,000 daily news sources in order to be able to track any relevant ESG controversy. Once a company is linked to a potential controversy, it will be sorted into the relevant controversy category (see figure below).
For each category of controversies, Sustainalytics will assess all the necessary information and relevant data and attribute a severity score. The severity of an allegation or how controversial the activity of the company is, is determined based upon the impact, nature, scope, recurrence of the incident, the response of the company, the responsibility of the management and the overall CSR policies and practices that are in place within the company. Depending on the degree of severity, the controversy category is ranked from none or category 1 (minor controversies) to category 5 (the highest level). This scoring is reviewed every two weeks.

DPAM has introduced a double screening system in order to invest in global equities with long-term sustainability as a core priority:

- Companies facing a level 5 controversy, in any domain, are not eligible for investment.
- Companies facing a level 4 controversy are subject to in-depth analysis by the research and investment teams. The two extra-financial rating agencies are contacted in order to compare opinions and expectations regarding the severity of the controversy. The case is finally presented to the RISG that takes a decision either to exclude the
company from the eligible investment universes or to keep it eligible by engaging into a dialogue with the management.

The portfolio managers are eligible to invest freely in companies that fall under the first three categories as long as the impacted company complies with our other screenings.

**Qualitative ESG approach**

Beyond the quantitative ESG score, the equity research teams pro-actively incorporate ESG criteria in their analysis. The analysts will provide a qualitative assessment based on a critical review of information and data provided by MSCI ESG Research and Sustainalytics, as well as other sources, including their interaction with companies and their management teams.

In addition to this, we have developed sector-specific ESG KPI’s as not all companies within this portfolio are covered by external research providers. The KPI’s (key performance indicators) vary from theme to theme in order to be able to highlight and differentiate issues on a theme specific base. For instance, in sectors that are more directly related to nanotechnology, relevant ESG KPI’s are to be found in indicators which assess factors such as hazardous waste, fatalities from the products and talent and retention efforts. There are seven themes within the NewGems fund. We have identified material ESG KPI’s for each sub-theme within the portfolio in addition to relevant engagement topics. Examples of sub-themes and their KPIs include:

<table>
<thead>
<tr>
<th>Sub-theme</th>
<th>Selected ESG KPIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Diagnostics</td>
<td>Impact on human health</td>
</tr>
<tr>
<td>Robotics and Automation</td>
<td>Collection, usage and retention of customers’ data</td>
</tr>
<tr>
<td>Healthier Eating</td>
<td>Ethical product marketing standards</td>
</tr>
<tr>
<td>Cyber Security</td>
<td>Data privacy (GDPR – EU regulation)</td>
</tr>
<tr>
<td>E-Commerce</td>
<td>GHG emissions including for product shipments</td>
</tr>
</tbody>
</table>

**3.6 How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?**

The eligible universe is defined on a quarterly basis. Regular alerts from both extra-financial rating agencies and our internal research, investment and responsible investment teams ensure the permanent review of events that could jeopardise or modify the eligibility of certain issuers.

The controversies management system is described in the above mentioned section 3.5. A continuous monitoring enables the different teams to be alerted in case of new controversies, and to receive updated information on existing controversies. In case a significant controversy emerges after the quarterly review of the eligible universe, the Responsible Investment Competence Center performs an in-depth analysis of the controversy, which follows the same process described in section 3.5 (in-house analysis in collaboration with fundamental analysts + review of Sustainalytics & MSCI-ESG profiles and discussion with these two providers + presentation and decision in RISG).

**Article 4: Investment Process**

**4.1 How are the results of the ESG research integrated into portfolio construction?**

The ESG analysis is an inherent part of the investment process. It plays an important role in selecting the stocks that are part of this conviction portfolio. The ESG research, conducted by our analysts, which is based upon both external and internal research, is incorporated into the construction of the eligible universe and the fundamental analysis of companies, and is part of our bottom-up stock selection process.

The sub-fund DPAM Invest B Equities NewGems Sustainable focusses on companies with superior and improving ESG profiles. These companies are identified upon a three pillar approach: (1) normative ESG screening, (2) controversial approach and exclusions, and (3) a qualitative ESG approach.
ESG analysis is an inherent part of the investment process. It is a key element in selecting the stocks that constitute this conviction portfolio.

DPAM Invest B Equities NewGems Sustainable is a conviction portfolio of around 70-80 stocks. Within the eligible investment universe, our portfolio managers will select leading investment themes that form the basis for the final stock selection. Companies will be selected on a quality basis, meaning that they should demonstrate a sound business model, high profitability, strong growth and ESG factors that are expected to create new opportunities.

4.2 How are criteria specific to climate change integrated into portfolio construction?

All material ESG factors are integrated into the investment process. Where there is a material climate change risk with an individual security, this is integrated into the outlook for the company. As an example, the ESG scorecard of Sony assesses the Carbon footprint of its range of products, considers whether the group implements a life-cycle approach when designing products, and analyses the group’s “Road to Zero” strategy to minimize the greenhouse gases impact of its operations (by looking into the energy consumption of its production sites, and whether it primarily sources renewable electricity, among other factors).

A number of portfolio companies within this fund are positioning themselves to deal with climate change risks. Such risks are assessed as part of the fundamental analysis.

4.3 How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

The portfolio managers invest in the eligible universe, resulting from the sustainability screening, described above. In case of IPO’s or concerning the companies which are not covered by the two steps of quantitative ESG screening (i.e. U.N. Global Compact, Controversial Activities screening), the RI Competence Center will be consulted for coverage specific in-house analysis. We put a cap on such positions to a maximum of 10% of the total portfolio.

4.4 Has the ESG evaluation or investment process changed in the last 12 months?

No

4.5 Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

No

4.6 Does the fund engage in securities lending activities

No, the fund does not engage in any security lending activities.

4.7 Does the fund use derivative instruments?

n.a.

4.8 Does the fund invest in mutual funds?

N.a. the fund invests exclusively in listed instruments.
Article 5: ESG controls

5.1 What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

DPAM uses the input from two independent ESG/SRI research institutions in its ESG-SRI screening process. The model for global companies is discussed in collaboration with the RISG, which is primarily composed of investment professionals who are not involved in the day-to-day management of the portfolios.

The investable universe is updated each quarter and sent automatically to the investment teams as well as to the fund administration, so as to ensure compliance of the investments with the universe.

The compliance of the investments with the ESG company ranking is audited internally and externally. An external audit report is available in the annual report of the investment fund, which is publicly available at the following address: https://funds.degroofpetercam.com/cms/sites/degroofpetercam/home.html.

Eligible universes and blacklists of issuers of sustainable universes are centralised by the responsible investment competence centre. The support & administration team is in charge of the pre-trade control of investments and eligible universes while the risk team is in charge of post-trade control. Both pre-trade controls and post-trade controls are continuously operated by way of dedicated IT applications that are directly integrated with our trading instruments.

Article 6: Impact measures and ESG reporting

6.1 How is the ESG quality of the fund assessed?
The quarterly sustainability report focuses on the ESG quality of the fund quantitatively and qualitatively speaking. Quantitatively, the fund is assessed on its exposure to the Global Compact Principles and on the severity of ESG controversies. The exposure to companies placed on the watch list or to companies exposed to medium or severe controversies is qualitatively commented including details on the specific ESG issue(s) and how it is monitored. Furthermore, the average ESG score of each fund is calculated on the three dimensions (E, S, G) and at the aggregated level, and each of these scores is compared with the different benchmarks. The new entrances or the exits of the fund that are motivated by sustainability reasons are also commented. The carbon footprint is calculated and the most contributing companies are identified.

Furthermore, on a yearly basis, an in-depth analysis is done regarding ESG quality improvements: analysis of percentiles, focus on companies which have been bought and sold from an ESG perspective, etc.

6.2 What ESG indicators are used by the fund(s)
Please refer to question 3.3
Another example of ESG indicators that we use is the ESG scorecard we produced for Kerry Group, which is a Food products company. Its ESG scorecard notably considers the following topics:

- Opportunities in nutrition & health (presence of gluten-free, organic, low sugar, low fat and non-GMO product lines to its portfolio);
- Sustainable sourcing (sourcing from labelled/certified producers of raw materials);
- Product quality & safety (exposure to food-safety risks and best-practices to mitigate them);
- Environmental management and efforts to reduce the carbon footprint of its operations;
- Corporate Governance.
6.3 What communication resources are used to provide investors with information about the SRI management of the fund(s)?

- Degroof Petercam Asset Management produces dedicated and comprehensive monthly and quarterly ESG-focused factsheets that are used to inform our clients about the ESG-exposure of our strategies. The factsheets are also produced for those among our funds that don’t specifically follow an ESG strategy, with a view to improve consistency. The factsheets show the exposure of the portfolio to various ESG metrics as well as the fund’s performance and the portfolio composition. There is also a commentary from the portfolio manager including the reasoning behind possible changes in the portfolio.
- Besides factsheets, we produce a quarterly sustainability report for each of our sustainable funds with comments on the ESG profile and sustainability of the portfolio and of its individual positions. These sustainability reports focus closely on topical ESG discussions in general and may provide an analysis of particular stocks and industries included in the portfolio, as well as a brief summary in case we have engaged with companies or have challenged extra-financial third party research.
- To support our sales teams in their effort advising our clients, our RI competence centre may participate in meetings and investor events to provide detailed explanations on our ESG strategies. The RI competence centre further works with our external communications and marketing teams to optimize information in the form of brochures and articles.
- Clients and prospects can also contact the responsible investment team via the following email: sustainable@degroofpetercam.com.
- Finally, investors can consult our website http://funds.degroofpetercam.com to access our prospectuses, (semi-) annual reports and voting policy.

6.4 Does the fund management company publish the results of its voting and engagement policies?

Degroof-Petercam Asset Management makes its engagement program available on its website. A yearly activity report “Voting report” is also issued. Both documents are available at the following address: https://www.degroofpetercam.com/en/social-impact/social-responsible-investments/responsible-asset-manager

Engagement program

DPAM adopted an engagement program in the second half of 2014. The NewGems Sustainable equity strategy is based on a norms-based screening, which aims at avoiding to finance companies involved in criminal behaviours, and when a controversy hits a company we are already invested in, to fulfil our duty as an actively sustainable asset manager.

The procedure is engaged as soon as a company, in the portfolio or on the buy list, is involved in a level 4 controversy, on a scale from 1 (minor) to 5 (the most severe).

The initial assessment of the severity of the allegation is done by Sustainalytics, as an independent research provider. It is then complemented by our own in-house detailed analysis, which is performed by the Responsible Investment Strategists, as part of the Responsible Investment Competence Center.

For any company in portfolio or on buy-list, Portfolio managers and/or analysts engage dialogue with the management of the company which is facing allegation level 4 in one of the eight above mentioned themes. The Responsible Investment Strategist provides detailed report on the controversy(ies) as a basis for dialogue.

The written engagement letter is co-signed by the Portfolio Manager and the RI Strategist. The case is presented to the RISG who is the ultimate decision-maker determining to buy, keep or sell the position.

In case of absence of the Portfolio Managers or the RI Strategist, the RISG is consulted automatically within 2 weeks following the occurrence of a controversy.

Further, the meeting with the company management plays a key role in the research process at DPAM.
DPAM engages in an active dialogue with companies, NGOs, as well as with the academic world and government institutions. The RISG invites specialists from outside the financial world to discuss ESG/SRI topics. RISG members also participate in presentations/round tables of NGOs etc.

Through its active membership within the UN PRI, DPAM participates in collaborative engagement initiatives, regarding ESG topics such as the prevention of corruption or the required transparency over corporate clinical trials, among others.

The engagement program is available on our website. A yearly activity report is also issued.

Proxy voting
DPAM is a responsible and committed shareholder. The voting policy adopted in 2013 is applied to all funds managed by DPAM. The management company therefore assesses more than 550 global companies on primarily governance issues, but also, increasingly, on environmental and social issues.

Each SICAV (i.e. open-end mutual-fund) is an independent entity which has its own voting policy. Although the group voting policy and the voting policies applied by the individual independent entities remain separated, these are aligned and all voting policies follow ESG guidelines. Please see above for additional information.

The Voting Policy has been established by the voting advisory board (the “Advisory Board”), which consists of seven internal staff members and three independent members. The external members of the Advisory Board have strong expertise in corporate governance and company law.

The group proxy voting policy is available on our website. A yearly activity report is also issued.