

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 L BONDS Emerging Markets Sustainable

Dominant/preferred SRI strategy:

Norms-based screening leading to exclusions

Best in class investment

Asset Class: Actively managed, Emerging markets sovereign bonds

Exclusions standards and norms:

Exclusions based on minimum democratic requirements. Countries classified as not free by reputed NGO's are excluded from the eligible universe.

Other exclusions do not exist directly but penalty points for specific topic (death penalty, climate change commitment, personal landmines, etc.)

AUM 31/12/2017: € 1,008.4 millions

Other labels: Luxflag ESG label – year 2018

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

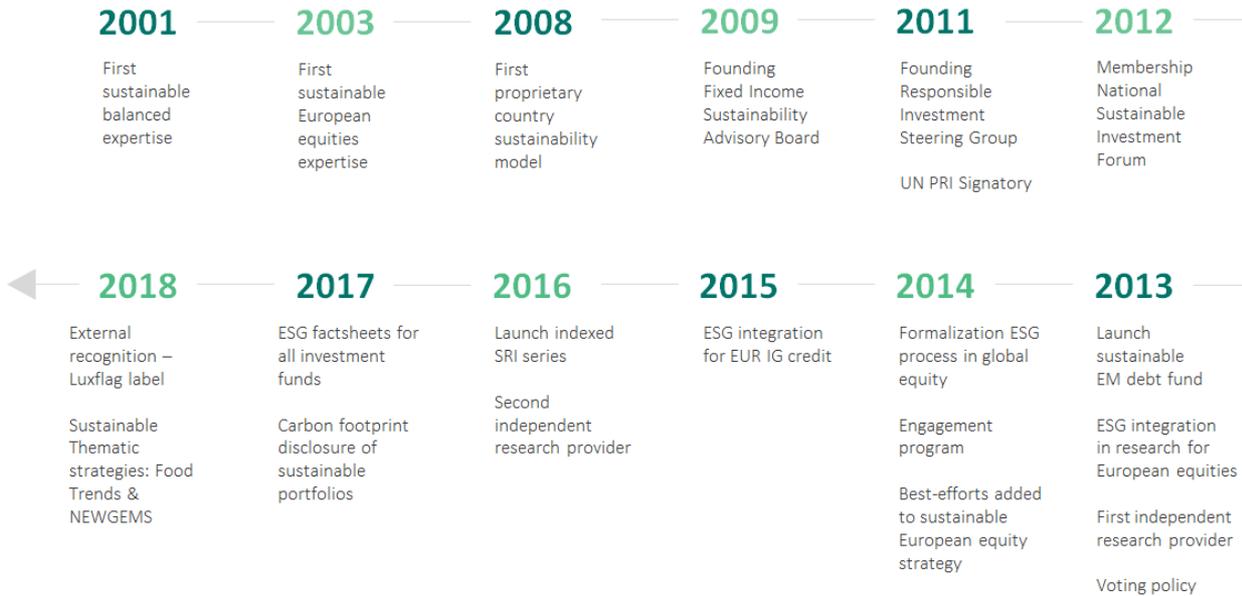
TVA BE 0886 223 276 - RPM Brussels

sustainable@degroofpetercam.com

2.2 What are the company's track record and principles when it comes to integrating SRI into its processes?

SOLID TRACK RECORD

16Y CONTINUING ROAD TO EXCELLENCE



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.

- When specifically considering the emerging market sustainable government bond strategy, we have been advocating a more fundamental approach. We acknowledge that emerging markets are not yet on par with developed countries in terms of ESG (Environmental, Social, Governance) criteria and overall sustainable development. That is one of the reasons why we have integrated a sustainable screening which is fully integrated within the investment process. The objective of this analysis is to implement a **normative screening** of countries and exclude the countries which do not meet the **minimum democratic requirements** as defined by independent experts in this area. Furthermore, a **best-in-class approach** ranks emerging countries based on their efforts in terms of sustainability. Bolstered by our experience in OECD universe, we are convinced a sustainable analysis helps avoiding tail risks. We also believe there is a negative correlation between the quality of the institutions of countries and their potential default rate.

- By looking at a country's commitments and policies in the social, environmental and governance areas, we are able to identify the present and future leaders in sustainable development, which will benefit from improved creditworthiness on the mid to long-term. In other words, this fundamental approach allows us identifying the countries that are the most able to meet their commitments in terms of making interest payments and redeeming the principal.
- By investing in education, by stimulating in research and development, by implementing ambitious policies, and by ensuring freedom of information to their citizens, governments are building the foundation for a sustainable economic development, while improving the living conditions for their citizens. In sum, the Bonds Government Sustainable strategy follows the conviction that an adequate sustainable governance at a country level has indirectly positive impacts on the financial performance of the country's bond issuances.
- A sustainable model fully in line with the sustainable development goals: The 17 objectives, in the wake of the Millennium Development Goals, which were launched by the United Nations between 2000 and 2015, aim to advocate sustainable development on the economic, social and environmental domain. They reaffirm the human rights and the willingness to eradicate poverty, hunger and inequality by the end 2030. The 17 social, environmental and economic objectives have been adopted by nearly 200 countries. It is a unique opportunity to channel more investments towards major environmental and social challenges. The **five identified sustainability drivers** and the assigned criteria meet the 17 SDG's and share the common goal of sustainable development throughout the world.
- Throughout its ESG-SRI Fixed Income and Equities expertise DPAM targets a double alpha: an alpha coming from the construction of the sustainable eligible universe, in addition to an alpha generated by the investment process. DPAM maximises the expected return of a portfolio constructed within the sustainable investment universe. The objective is therefore offering **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.

Additional information about our commitments and good practices as a Responsible Asset Manager can be found on Degroof-Petercam Asset Management's website: <https://www.degroofpetercam.com/en/social-impact/social-responsible-investments/responsible-asset-manager>

For more information about our investment process, please consult DPAM's general webpage on our Sustainable & Responsible Investment approach: <https://www.degroofpetercam.com/en/social-impact/social-responsible-investments/responsible-solutions>

Fund specific information can be found on DPAM's dedicated website: <https://funds.degroofpetercam.com/funds.html>

All this information is publicly available.

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.

There is in-depth discussion and debate regarding the most relevant indicators to include in the sustainability assessment of the emerging markets countries to assess climate change impact.

The 15% weight of the model assigned to the environmental driver is split among several indicators articulated around 4 themes: climate change, biodiversity, air & emissions and energy efficiency.

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. By doing so, 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>

Complementary gGeneral information about DPAM's responsible solutions are publicly available on DPAM's website: <https://www.degroofpetercam.com/en/social-impact/social-responsible-investments/responsible-solutions>

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.

Specifically to sovereign bond sustainability expertise, we have set up an advisory board with the added value of external experts.

The ESG analysis and evaluation methodology for sustainability of countries are the responsibilities of the Fixed Income Sustainability Advisory Board (FISAB).

It is composed of 8 members, four external sustainable development specialists and four Degroof Petercam Asset Management investment professionals. This Advisory Board is responsible for the proprietary model developed by DPAM regarding sustainability of countries and plays an important role in selecting the sustainable criteria for the universe.

Sustainable development meets the needs of the present generation without compromising the ability of future generations to meet their own needs. Sustainability at country level differs from that of a corporation. This is the reason why reliance on experts and an advisory board was required. The FISAB is responsible for defining sustainability at country level and for ensuring that the sustainability model reflects the latest ESG challenges a country may face. The complementary background of the members guarantees a high level of expertise and knowledge of the issue in constructing the most relevant model.

Composition of the FISAB

External members:

Bart Haeck, Journalist DE TIJD – specialised in international politics & economics

Jan Schaerlaekens, Brussel Parliament – specialised in environment

Thomas Bauler, President of the Academic Chair “Environment & Economy” Brussels University (ULB and IGEAT)

François Gemenne, Professor on geopolitics of climate change and governance of migration at Sciences Po Paris, Brussels University (ULB) and Liège University (CEDEM) specialised on geopolitics and migration.

Internal members:

Ophélie Mortier, Responsible Investment Strategist, DPAM

Ives Hup, Head of Institutional Sales & Distribution France, DPAM

Guillaume Nédélec, Request for Proposal Officer, DPAM

Michiel Verstrepen, Economist, Macro Research, Degroof Petercam.

Role of the FISAB

The role of the FISAB is the following:

1. To select the sustainable criteria which fulfil the preliminary requirements, and are the most relevant in the framework of sustainability assessment of the universe.
2. To determine the weights attributed to each indicator.
3. To critically and accurately review the model and the ranking to ensure continuous improvement.
4. To validate the list of eligible countries.

The Fixed Income Sustainability Advisory Board formally meets twice a year during the review process of the sustainability model. The portfolio managers of the fund DPAM L Bonds Emerging Markets Sustainable do not have voting rights in the Fixed Income Sustainability Advisory Board, but actively participate.

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 investment process.

-Belgium: BEAMA SRI working group & Febelfin SRI Working Group.

-France: FIR: Forum pour l'Investissement Responsable: <http://www.frenchsif.org/isr-esg/>

-Germany: FNG : Forum Nachhaltige Geldanlagen: <http://www.forum-ng.org/en/>

-Italy: Forum per la Finanza Sostenibile: <http://finanzasostenibile.it/>

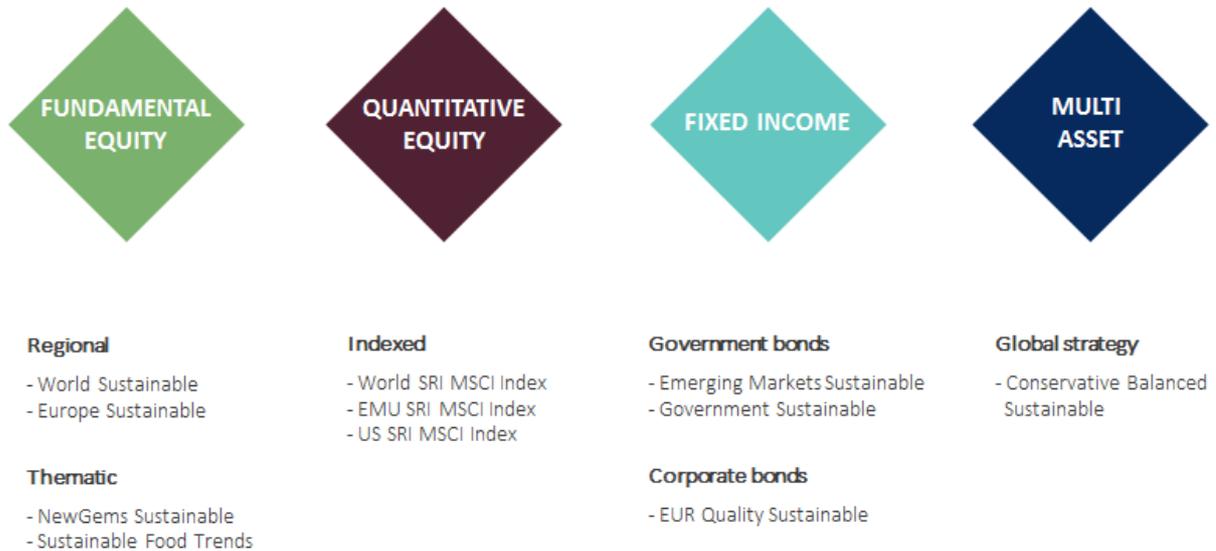
-Spain: Spainsif: <http://www.spainsif.es/>



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/>

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?

DPAM L Bonds Emerging Market Sustainable strategy for developed markets sovereign bonds meets our threefold commitment:

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

The Emerging market sovereign bonds Sustainable strategy is actively managed and invests in bonds and/or other debt securities, including but not limited to, perpetual bonds, inflation-linked bonds, zero coupon bonds and structured products denominated in any currency, issued (or guaranteed) by emerging countries, including its regional public authorities and public (or equivalent) bodies or by international public bodies, such as World bank or the European Bank for Reconstruction and Development and selected on the basis of sustainable development criteria, such as for example social equity, environmental awareness and socially equitable political and economic governance.

It is a government bond fund offering a country selection approach based on environmental, social and governance (ESG) criteria. In-house research focuses on five pillars: transparency and democratic values (1), environment (2), population, health and wealth distribution (3), education and innovation (4) and economics. The strategy uses a best-in-class methodology and a norms screening depending on the democracy level. Finally, the approach is fully in line with the 17 sustainable development goals (SDG's) adopted by the United Nations in 2015. The analysis framework covers all SDGs: 1 No poverty; 2 Zero hunger; 3 Good health & well-being; 4 Quality education; 5 Gender equality; 6 Clean water and sanitation; 7 Affordable and clean energy; 8 Decent work & economic growth; 9 Industry innovation and infrastructure; 10 Reduced inequalities; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 14 Life below water; 15 Life on land; 16 Peace, justice and strong institutions; 17 Partnerships for the goals.



ACTIVE MANAGEMENT

security selection, duration and yield curve positioning



DISTINCTIVE APPROACH

to traditional non-RI debt funds



UNIQUE QUANTITATIVE SCREENING

model to assess the sustainability of emerging countries



HIGHLY DIVERSIFIED

with an atypical country and currency allocation

Investment decisions are not influenced by benchmark constraints. Nevertheless, an index is used for performance measurement purposes. As a consequence, deviations and tracking error could be relatively high. The universe is certainly different from indices which are based on debt issuance. We have opted to use the Bloomberg Barclays EM Local Currency Government Index (10% country capped in Unhedged EUR, Bloomberg ticker: EML1TREU) as a Reference Indicator.

The objective of DPAM L Bonds Emerging Markets Sustainable is to benefit from the evolution of local currency emerging debt markets, taking into account the eligible universe as defined by the sustainability screening model. It aims to generate “double alpha”: combining positive contribution from the sustainable process with outperformance from the financial management within the eligible universe.

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.

Opposed to corporates, for which extra financial information is largely provided by external parties, there are very few regarding countries. The lack of information and model led us to develop an in-house research model mid-2007.

Given the subjective character of the issue, key principles were defined from the beginning:

1. Existence of an **advisory board**, consisting of external specialists providing input to the model;
2. Assessment of the commitment of the country to its sustainable development: variables on which the country can **have influence** through decisions;
3. **Comparability and objectivity**: criteria are numeric data, available from reliable sources and comparable for all countries.

Requirements and focus

Sustainable development is a development which meets the needs of the present without compromising the ability of future generations to meet their own needs¹. Sustainability at country level differs from that of a corporation. A sustainable country is committed to fully ensuring the freedom of its citizens and invests in their personal development and welfare. It is respectful towards the environment and is reliable in terms of international responsibilities and commitments. It ensures its future and invests in next generation (education & innovation).

The sustainability screening is characterised by the use of criteria governments can use to influence their policy (government, authorities, law), avoiding criteria which are linked to the geography or population density of the country. The model is quantitative, tracking the current performance of a country, thus having comparable data and not only relying on treaties because these are no guarantee of real engagement. Also no data is used based on future promises (policies, etc.).

Degroof Petercam Asset Management has determined five sustainable pillars:

- i. Transparency and democratic values: corruption index, freedom of press, crimes, military budget, development aid, women’s rights,...
- ii. Environment: ecological footprint, GHG, CO2 emissions,...
- iii. Education and innovation: PISA survey, spending on education, participation in different grade
- iv. Population, health care and wealth distribution: GINI-index, healthcare spending, income distribution, poverty, unemployment...
- v. Economics: competitiveness index, public finance, unemployment, private credit, ...

The five dimensions of sustainable analysis

33% Transparency and democratic values

Corruption, Press freedom, Civil liberties, Governance sub indexes, ICC, etc.

Environment **15%**

Ecological footprint, Kyoto protocol, Ecological performance index, etc.

11% Economics

15% Education

Literacy rate, School enrolment, Expenditure per student, etc.

Population health & wealth distribution **26%**

GINI-index, Unemployment infant mortality, Water indicators, Sanitation indicators, Health prevention, etc.

Trend criteria 50%

Data: January 2018

¹ Brundtland Report for the United Nations - 1987

Transparency and democratic values are in the heart of the model with the highest weight as:

- Democratic requirements are a pre-requisite for sustainability and undisputable value for sustainable and responsible investor;
- It relates to governance, which is of high materiality;
- Academic research has proved the correlation between risk of default and quality of governing issues.

The weight granted to the other drivers depends on the availability, quality, frequency and relevancy of indicators.

In total, the model has around 30 indicators.

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

The model is dynamic because the selected criteria are reviewed regularly (twice a year) aiming at choosing the most appropriate and relevant criteria for each area. A criterion may be replaced and adapted, or new criteria can enter the model and the allocation of the weightings may also vary.

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

Degroof Petercam Asset Management has determined five sustainable pillars:

- i. Transparency and democratic values: corruption index, freedom of press, crimes, military budget, development aid, women's rights,...
- ii. Environment: ecological footprint, GHG emissions, CO2 emissions,...
- iii. Education and innovation: PISA survey, spending on education, participation in different grade
- iv. Population, health care and wealth distribution: GINI-index, healthcare spending, income distribution, poverty, unemployment...
- v. Economics: competitiveness index, public finance, unemployment, private credit, ...

The normative screening consists of excluding all countries ranked as 'not free' and whose status is confirmed by a second source, namely The Democracy Index, published by the Economist Intelligence Unit, ranking them as 'authoritarian' countries.

Based on an annual survey regarding political rights and civil liberties, Freedom House ranks worldwide countries in three main groups:

- i. A Free country is one where there is open political competition, a climate of respect for civil liberties, significant independent civic life, and independent media.
- ii. A Partly Free country is one in which there is limited respect for political rights and civil liberties. Partly Free states frequently suffer from an environment of corruption, weak rule of law, ethnic and religious strife, and a political landscape in which a single party enjoys dominance despite a certain degree of pluralism.
- iii. A Not Free country is one where basic political rights are absent, and basic civil liberties are widely and systematically denied.

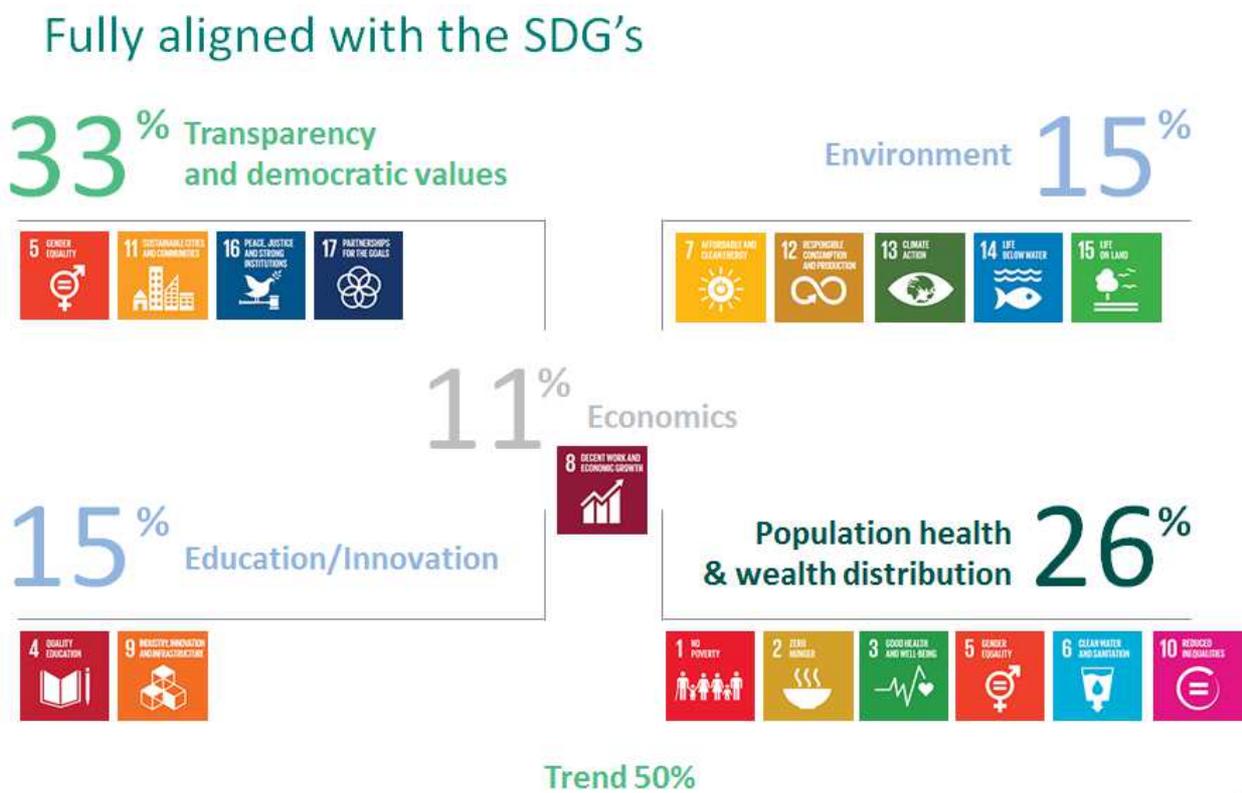
The Freedom House index is based on an annual survey of 25 questions. Political rights are based on the electoral process (1), political pluralism & participation (2), and the functioning of government. Civil liberties are based on freedom of expression and belief (1), personal autonomy & individual rights (2), associational & organisational rights (3) and rule of law (4). Given the impact of this normative screening on the eligible universe, similar indicators have been analysed to legitimate the choice of Freedom House.

The main comparable indicator is the democracy index provided by The Economist. The democracy index is the result of 60 indicators grouped under five themes, quite similar to those studied by Freedom House:

1. Electoral process and pluralism
2. Civil liberties
3. Functioning of government
4. Political participation
5. Political culture.

The ranking is divided into four categories: full democracy, flawed democracy, hybrid regime and authoritarian regimes.

This leads to, currently, exclude 18 'not free' and 'authoritarian' countries.



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 is fully integrated in the driver Environment through different indicators such as climate change readiness or vulnerability.

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.)?

The ESG analysis and evaluation methodology for sustainability of countries are the responsibilities of the Fixed Income Sustainability Advisory Board (FISAB).

It is composed of 8 members, four external sustainable development specialists and four Degroof Petercam Asset Management investment professionals. This Advisory Board is responsible for the proprietary model developed by DPAM regarding sustainability of countries and plays an important role in selecting the sustainable criteria for the universe.

Sustainable development meets the needs of the present generation without compromising the ability of future generations to meet their own needs. Sustainability at country level differs from that of a corporation. This is the reason why reliance on experts and an advisory board was required. The FISAB is responsible for defining

sustainability at country level and for ensuring that the sustainability model reflects the latest ESG challenges a country may face. The complementary background of the members guarantees a high level of expertise and knowledge of the issue in constructing the most relevant model.

Composition of the FISAB

External members:

Bart Haeck, Journalist DE TIJD – specialised in international politics & economics

Jan Schaerlaekens, Brussel Parliament – specialised in environment

Thomas Bauler, President of the Academic Chair “Environment & Economy” Brussels University (ULB and IGEAT)

François Gemenne, Professor on geopolitics of climate change and governance of migration at Sciences Po Paris, Brussels University (ULB) and Liège University (CEDEM) specialised on geopolitics and migration.

Internal members:

Ophélie Mortier, Responsible Investment Strategist, DPAM

Ives Hup, Head of Institutional Sales & Distribution France, DPAM

Guillaume Nédélec, Request for Proposal Officer, DPAM

Michiel Verstrepen, Economist, Macro Research, Degroof Petercam.

Role of the FISAB

The role of the FISAB is the following:

1. To select the sustainable criteria which fulfil the preliminary requirements, and are the most relevant in the framework of sustainability assessment of the universe.
2. To determine the weights attributed to each indicator.
3. To critically and accurately review the model and the ranking to ensure continuous improvement.
4. To validate the list of eligible countries.

The Fixed Income Sustainability Advisory Board formally meets twice a year during the review process of the sustainability model. The portfolio managers of the fund DPAM L Bonds Emerging Market Sustainable do not have voting rights in the Fixed Income Sustainability Advisory Board, but actively participate.

Calculation methodology

Each criterion gets an assigned weight and each country receives a score ranging from 0 (worst) to 100 (best) based on its relative position compared to other countries (comparison to the difference between the maximum and the minimum). For binary criteria (death penalty, signing Kyoto protocol) a score of either 0 or 100 will apply.

The final and overall score of a country is equal to the weighted average of the different scores, using the weights which are decided by the Fixed Income Sustainability Advisory Board.

The selection process results in a ranking of the countries. The final scoring is rounded up to avoid an excessively unstable universe as decimals are statistically irrelevant.

Progress and improvement are taken into consideration through a trend indicator, which provides insights into the robustness of a country’s commitment to sustainability. The trend is calculated over the previous three years and a 50% weight of the scoring is allocated to it. The improvements registered by a country are as important as the current situation, in a universe where development could go fast.

Disclosure rules

In October 2016, the FISAB adopted the following rules regarding potential missing data.

Firstly, minimum 50% of the weighted data must be available for any country; below this threshold the country is automatically ranked in the bottom due to a lack of relevant data to assess its sustainability.

Secondly, in case of missing data, this can be fulfilled with the average score the country has achieved in the same driver provided that a minimum of 30% of the weighted data is achieved in each of the five sustainability drivers (ie. transparency, education, economics, population and environment). In this case, the average score is calculated on the available data for the same driver. Below this 30% minimum threshold, the country receives a zero score for missing data.

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

The Fixed Income Sustainability Advisory Board formally meets twice a year during the review process of the sustainability model. The portfolio managers of the fund DPAM L Bonds Emerging Market Sustainable do not have voting rights in the Fixed Income Sustainability Advisory Board, but actively participate.

Article 4: Investment Process

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

The investment universe of the strategy consists of sovereign debt instruments issued by emerging countries. More specifically, this includes:

- Fixed-income securities (including inflation-linked, zero-coupon and floating-rate notes) and, to a lesser extent, credit-linked notes and derivatives
- Issued or guaranteed by local and national governments, semi-government, agencies from emerging countries
- Issued by supranational institutions (World Bank, EBRD, IADB, etc.) and denominated in a local currency of an emerging country
- Issued by regulated financial institutions in the case of credit-linked notes

The starting point of the non-exhaustive list is the combination of the following relevant benchmarks in the targeted universes:

- Barclays Capital Emerging Markets (local currency),
- Barclays Global EM Sovereign index,
- JP Morgan Emerging Markets Bond Index Global Diversified (EMBIG Diversified),
- JP Morgan Global Bond Index - Emerging Markets Global Diversified (GBI-EM Global Diversified) and
- JP Morgan Next Generation Markets index (NEXGEM).

This initial universe which corresponds to 87 countries, is subject to a **normative and best-in-class SRI screening** as explained below.

Exclusion based on normative SRI screening

The normative screening consists of excluding all countries which do not fulfil minimum democratic requirements according to reputable independent sources in democracy expertise namely the NGO Freedom House and the ranking Democracy Index calculated by the Economist Unit Intelligence.

Based on an annual survey regarding political rights and civil liberties, Freedom House ranks worldwide countries in three main groups:

1. A **Free country** is one where there is open political competition, a climate of respect for civil liberties, significant independent civic life, and independent media.
2. A **Partly Free country** is one in which there is limited respect for political rights and civil liberties. Partly Free states frequently suffer from an environment of corruption, weak rule of law, ethnic and religious strife, and a political landscape in which a single party enjoys dominance despite a certain degree of pluralism.
3. A **Not Free country** is one where basic political rights are absent, and basic civil liberties are widely and systematically denied.

The main comparable indicator is the democracy index provided by the Economist Intelligence Unit.

The democracy index is the result of 60 indicators grouped under five themes, quite similar to those studied by Freedom House:

1. Electoral process and pluralism
2. Civil liberties
3. Functioning of government
4. Political participation
5. Political culture.

The ranking is divided into four categories: full democracy, flawed democracy, hybrid regime and authoritarian regimes.

This leads to, currently, **exclude** 18 'not free' and 'authoritarian' countries.

The normative screening combined with the best in class approach results in a ranking of the 86 countries (where 18 countries are currently not allowed for investment). In view of the ranking, there is a direct link between the wealth of a country and its sustainability level. Nevertheless, it is difficult to clearly distinguish the cause and the consequence. Furthermore, several agree that sustainability criteria cannot be as severe as they are in a more developed region (OECD for example). Finally, it makes sense to combine a best in class approach, awarding the countries which are more advanced in terms of democracy and civil liberties, with a best effort approach to encourage not the leaders but who try to improve the situation with their means at their disposal.

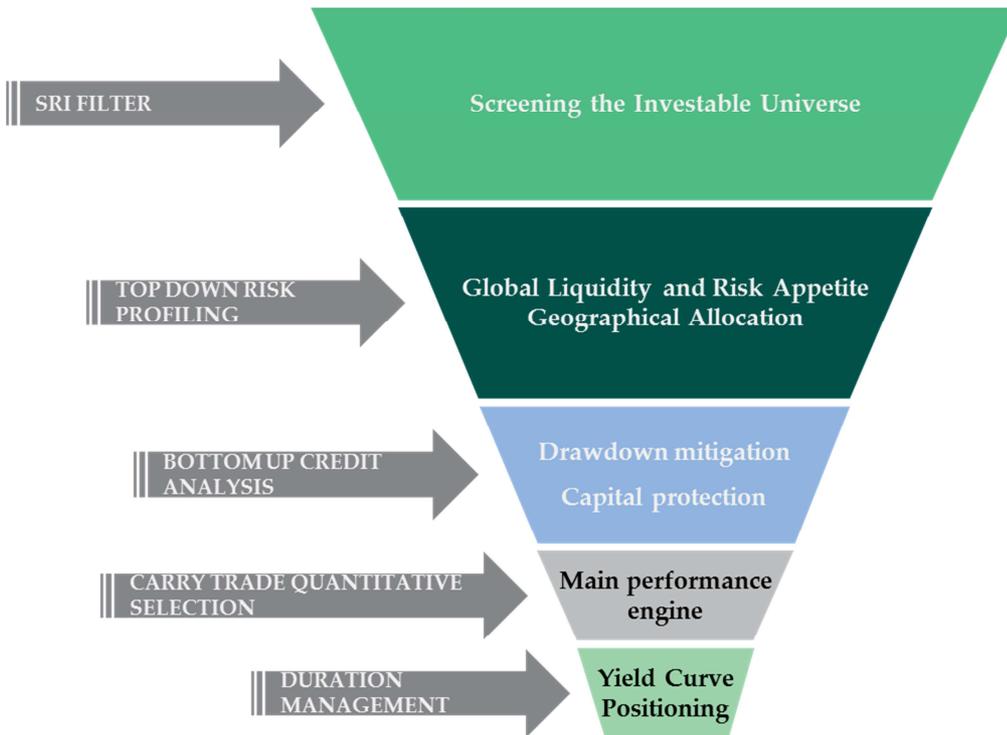
The objective is not to exclude countries which have low sustainability scorings, as several countries in the universe have just started to improve their democratic process. Many years of dictatorship weigh on the sustainable development of a country. The transition to full respect of civil liberties and political rights, freedom of press and gender equality is a long term process, in particular if these rights have been violated for many years. Therefore, the progress made by countries should be closely monitored. The Ivory Coast is a good example of a country with a promising economic future, which has an abundance of natural resources and commodities. Following the toppling of the former president Laurent Gbagbo, the country was plagued by instability and social upheaval. Although the country now seems to be on track for a better future, it is too early in the process to be recognised as a full and genuine democracy.

Therefore, the investment team is allowed to invest in the whole scope of the universe except the '*not free*' and '*authoritarian*' countries. The investments are however limited depending on the sustainable ranking:

- **Min. 40%** of the total portfolio in the **top quartile** of the ranking
- **Max. 10%** of the total portfolio in the **bottom quartile** of the ranking
- The **non-free** and **authoritarian** countries are **not eligible** to investments (see above).

The Fixed Income Sustainability Advisory Board validates the list of eligible countries.

After the SRI screening, the portfolio managers intervene to construct and monitor the portfolio, taking into account various steps. The approach is disciplined and integrated, encompassing the following steps:



The ESG criteria are fully integrated at inception of the portfolio construction.

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

All material ESG factors are integrated into the investment process. Please refer to above questions.

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. If a not screened country issues a sovereign bond (primary issue from a new comer which could be the case in the emerging market universe), a first check is done regarding its freedom house status. If the country is not classified as “not free”, it will be eligible and automatically ranked in the bottom quartile of the sustainability ranking (i.e. where total investments are limited to maximum 10%) until the next update of the screening where it will be included in the scope.

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

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?

The investable universe is updated each semester and validated by the FISAB with the assistance of 4 external experts.

The eligible list is sent automatically to the investment team 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 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.

Any important change in the sustainability model is commented.

The carbon footprint is calculated as well.

Finally, the optimisation of risk/return through the sustainability screening is also deeply analysed.

6.2 What ESG indicators are used by the fund(s)

Please refer to the description of the sustainability model in 3.3

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?

Engagement is partially included in the process and approach as engagement with countries totally differs from engagement with companies' management. The model is reviewed every six months and this review is systematically an opportunity to disclose information, observation and remarks on countries' sustainability. A press release in the different European countries is disclosed and shared with media agencies and contacts. This has regularly raised awareness among governing authorities and questions and contacts with different stakeholders. We publish also several articles related to the model and to the sustainable challenges a country may face. Some examples can be found on our expert blog:

<https://blog.degroofpetercam.com/en/sustainability/1560/ophelie-mortier-social-equality-governance-sustainability>

<https://blog.degroofpetercam.com/en/sustainability/1550/ophelie-mortier-education-innovation-sustainability>

<https://blog.degroofpetercam.com/en/sustainability/1370/ophelie-mortier-issue-migration-sustainability>