DEGROOF PETERCAM **ASSET MANAGEMENT**

April 2020

Sustainability Ranking Emerging Countries

TRANSPARENCY AND DEMOCRATIC VALUES

2019 recorded again a severe deterioration of democracy worldwide, mainly explained by the decline in Latin America and Sub-Saharan Africa with a deterioration in the majority of the themes related to democracy i.e. civil liberties, electoral process and function of government.

It was a year of protests in several countries, including Bolivia, Chile, Colombia, Ecuador and Venezuela in Latin America. Also Asia has not been spared, with the epicentre of the protests in Hong Kong. Africa was also strongly affected, mainly by protests in Cameroon, Ethiopia, Nigeria and South Africa. These social demonstrations, that also emerged in authoritarian countries, might bring hope for **a regeneration of democracy**, which would bring **solutions** to corruption, inequalities and violation of human rights.

ENVIRONMENT

The emissions of greenhouse gases continue to increase, year after year. Human activities are the root cause of global warming, which is affecting people, ecosystems and livelihoods worldwide. Climate protection and adaptation are pre-requirements for social rest and peaceful stability. Today, States have technological decarbonization innovations and progress at their disposal at a cheaper cost than in the past. Synergies can be high between climate action and economic growth, as a lever for job creation.

POPULATION, HEALTH & WEALTH DISTRIBUTION

A new social "agreement" has emerged in this century. Disruptive and contradictory/opposing trends have evolved as work opportunities have expanded and employment rates – until recently before the pandemic – have risen in a large majority of countries. However, while many social benefits have improved for a large part of the population, several countries have faced job polarisation and income stagnation combined with substantial increase in cost of basic needs. The inequality gaps have increased and led to tensions and social instability. **Sustainable countries will be those able to leverage the latest gains and progress to create opportunities and economic prosperity for all.**

Emerging economies are generally considered to have high potential, notably due to their young and growing population. Although most are not always seen as being sustainable or having a democratic process, integrating sustainability criteria into the management of a portfolio investing in these countries can be of real added value.

A pioneer in sustainability analysis for emerging economies

Contrary to popular belief, integrating sustainable factors to the analysis of emerging market issuers is compatible with, and adds value to a sovereign debt portfolio. Indeed, this helps to provide a holistic view by focusing on the long-term perspectives for key institutions that are vital for the functioning and development of markets. The analysis is complementary to credit ratings by mapping the risk situation in terms of sustainability and by providing valuable additional insights to sustainability-oriented investors.

The world population currently stands at 7.8 billion. According to United Nations statistics, this number is projected to grow to 9.5 billion by 2050. This increase will be particularly prevalent in emerging economies, which are currently confronted with overpopulation and a lack of natural resources. The demographic challenge is not only related to energy and ecology challenges, it also entails a challenge for the entire economy.

The uprisings in the Middle East and large migratory movements have and continue to highlight the importance of the democracy process, the guarantee of civil rights and freedoms. Inequalities within a population where high unemployment exists, in particular among the youth, create an insecure and unstable climate, which may ultimately lead to population rebellion.

Therefore, analysis of the viability of an emerging economy should include the sustainability of the country in terms of transparency and democratic values, as well as the economy, environment, demographics, health care, wealth distribution and education.

The experience Degroof Petercam Asset Management (DPAM) has gained in the sustainability analysis of OECD states has led to a sustainability model designed for emerging markets which incorporates the specifics of these countries.

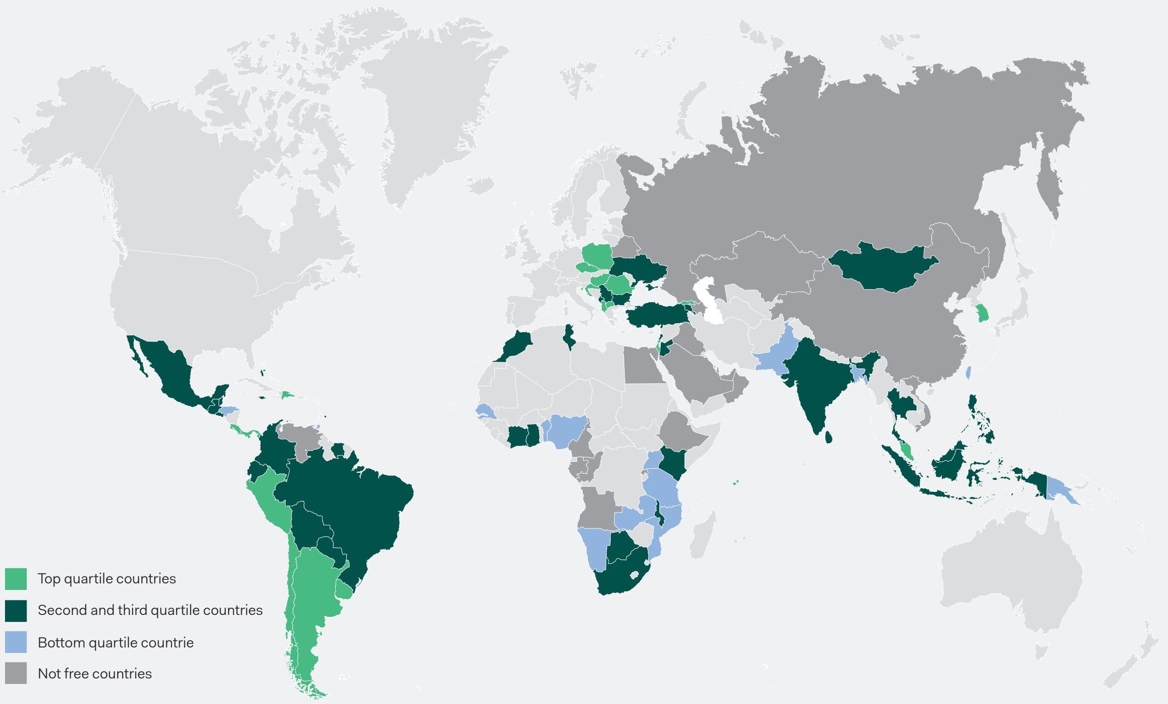
Sustainability ranking – April 2020

The starting universe is composed of 92 countries, mainly defined by the existence of a local or hard currency sovereign debt market. The sustainability ranking enables the identification of the countries which have fully integrated global challenges into the development of their medium-term objectives.

This complements the information gathered from credit ratings, which is traditionally used to assess the short term valuation of sovereign debt.

Integrating long-term perspectives allows to highlight those countries that are expected to outperform others and therefore to be solvent. These perspectives have no direct impact on the current valuation of an investment, but will influence medium and long-term performance.

Emerging Markets



Source: DPAM, April 2020

Sustainable country ranking of Emerging Markets member states

#	Top quartile countries	H1 20	H1 19
1	Hong Kong*	74	69
2	Singapore	71	72
3	South Korea	71	74
4	Czech Republic	70	72
5	Uruguay	70	70
6	Costa Rica	69	69
7	Chile	68	74
8	Poland	68	66
9	Israel	68	66
10	Croatia	68	68
11	Hungary	65	66
12	Argentina	65	59
13	Malaysia	65	64
14	Albania	64	58
15	Dominican Republic	64	59
16	Macedonia	64	62
17	Romania	63	66
18	Peru	63	63
19	Georgia	62	66
20	Panama	62	61

#	2nd & 3rd quartile countries	H1 20	H1 19
21	Barbados	62	-
22	Colombia	62	61
23	Mexico	62	62
24	Ecuador	62	59
25	Bulgaria	61	59
26	Seychelles	61	66
27	Montenegro	61	62
28	Indonesia	61	59
29	Mongolia	61	59
30	Brazil	60	54
31	Armenia	60	56
32	Tunisia	60	60
33	Sri Lanka	59	61
34	Jamaica	58	61
35	Serbia	58	64

#	2nd & 3rd quartile countries	H1 20	H1 19
36	Bahamas	57	58
37	Thailand	57	59
38	Paraguay	57	59
39	Suriname	57	-
40	Bolivia	56	57
41	Philippines	56	56
42	Turkey	56	53
43	Ghana	55	57
44	Jordan	55	55
45	Morocco	55	55
46	India	54	57
47	Kenya	54	55
48	Ukraine	54	60
49	Belize	54	61
50	El Salvador	53	58
51	South Africa	53	58
52	Botswana	53	54
53	Guatemala	52	54
54	Malawi	52	53
55	Lebanon	52	50
56	Côte d'Ivoire	52	53

#	Bottom quartile countries	H1 20	H1 19
57	Maldives	50	52
58	Bangladesh	50	51
59	Honduras	50	54
60	Trinidad and Tobago	50	55
61	Zambia	49	49
62	Senegal	49	58
63	Namibia	47	56
64	Tanzania	46	51
65	Uganda	45	49
66	Benin	45	49
67	Pakistan	44	47
68	Mozambique	42	47
69	Nigeria	41	47
70	Papua New Guinea	40	46
71	Taiwan	-99	-99
72	Aruba	-99	-99

#	Not free countries	H1 20
	United Arab Emirates	65
	Belarus	61
	China	61
	Qatar	58
	Oman	58
	Kazakhstan	58
	Saudi Arabia	57
	Russia	57
	Vietnam	55
	Azerbaijan	54
	Rwanda	54
	Bahrain	52
	Egypt	48
	Angola	46
	Venezuela	42
	Cameroon	41
	Ethiopia	41
	Gabon	40
	Iraq	37
	Congo	35

Source: DPAM, April 2020
* independent territories (no countries and therefore not part of the ranking)

Democracy as a starting point

The core of the model is the democratic values. Upholding these is a moral obligation to DPAM, which is intrinsically linked to the stance of a sustainable investor. Indeed, academic research has demonstrated the clear corrolation between the quality of the institutional framework of a country and its default risk.

DPAM uses the research of the international NGO Freedom House to assess the democratic development of a country. Based on an annual survey containing 25 questions on political rights and civil liberties, a country is attributed the status of 'free', 'partially free' or 'not free'. This information is complemented by the Democracy Index published by The Economist Intelligence Unit, which is also based on approximately twenty questions to assess the democratic level of a country. The latter is attributed the status of "democracy", "flawed democracy", "hybrid regime" or "authoritarian regime".

Several countries within the emerging universe do not fulfil the minimum requirements in terms of democracy and investment leeway. In total, the investment strategy linked to this sustainability ranking refrains from investing in countries which have been categorised by reputable international sources as 'not free' and confirmed as "authoritarian regimes". These include the United Arab Emirates, Belarus, Oman, China, Kazakhstan, Azerbaijan, Qatar, Vietnam, Rwanda, Saudi Arabia, Russia, Egypt, Bahrain, Gabon, Angola, Venuzuela, Cameroon, Congo and Ethiopia.

Studies indicate a clear link between the democratic level of a country and its sustainability. It should therefore not come as a surprise that the majority of those countries deemed 'not free' are at the bottom of the sustainability ranking.

Sustainability: a real added value to manage investment in emerging markets

The analysis provides important information regarding sustainability levels of the studied countries. It enables comparison with several countries which have a similar level of economic development, but differ with regard to social, ecological and corporate governance development. Making a clear and full analysis of the sustainability of a country adds real value as part of the construction of an investment portfolio, in addition to the ideological values that may be presented. In essence, the model puts the opportunities and risks linked to a country into context.

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 fully respect 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.

Global coverage

The extra-financial research performed by DPAM covers those countries into which investors may want to invest (36 OECD countries and 92 emerging countries). This forms an integral part of DPAM's conviction management, which is based on seeking risk-adjusted performance. Investors having a clear and full view of the risks and opportunities of a specific country have a comprehensive source of information to assess whether the companies active in that particular country may be successful. The quality of a financial investment is judged, among other things, by the characteristics of the markets the company operates in, and of the specificities of those countries.

What is sustainability?

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. 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 generations (education & innovation).

How to measure sustainability of a country?

There are three main approaches to measuring the sustainability of a country:

01 The **legal approach**, with the emphasis on treaties and offenses related to government actions. It should be noted however that agreement treaties are not always fully binding and there is often no penalty where violations occur.

02 The extreme **stakeholder approach**. The inconvenience of this approach is the importance of the number of stakeholders and parameters to be considered, giving rise to the possibility of dilution and irrelevancy of the indicators.

03 The **exclusion approach**, which consists of exclusions on the basis of controversial activities, examples being whale hunting and deforestation.

These approaches raise the issue of the moral threshold level, and subjectivity is likely to make it questionable.

The lack of information and an associated model encouraged DPAM to develop an in-house research model in 2007. Given the subjective character of the issue, key principles were defined from the beginning:

01

Existence of an **advisory board**, consisting of external specialists providing input to the model.

02

Assessment of the commitment of the country to its **sustainable development**: variables on which the country can have influence through decisions.

03

Comparability and objectivity: criteria are numeric data, available from reliable sources and comparable for all countries.

The Fixed Income Sustainability Advisory Board (FISAB) ensures the objectivity of the model

The role of the FISAB is:

1. To select the sustainable criteria which fulfil the preliminary requirements, and are the most relevant in the framework of sustainability assessment of the OECD and EM universes.
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 FISAB consists of seven voting members with a majority of external experts. The complementary background of the members guarantees a high level of expertise and knowledge of the issue in constructing the most relevant model. The objective of the board is to raise awareness on ESG issues among the portfolio management teams.

EXTERNAL MEMBERS

Bart Haeck
Journalist at Mediafin

François Gemenne
Professor at Sciences Po (Paris) & ULB (Brussels)

Jan Schaerlaekens
Deputy at Brussels Parliament

Thomas Bauler
Assistant Professor at ULB-IGEAT (Brussels)

INTERNAL MEMBERS

Ophélie Mortier
RI Strategist DPAM

Ives Hup
Country Head France DPAM

Celine Boulenger
Economist Degroof Petercam

Selective and objective criteria to assess the sustainability of countries

The sustainable overlay is characterised by indicators, which governments can utilise to influence their policies (government, authorities, and law). Thus, it avoids data linked to the geography or population density of the country. The model is quantitative and tracks the current performance of a country, with comparable data. Only a limited number of treaties are considered as they do not guarantee genuine commitment.

The underlying principles of the model remain the same, quantifiable criteria that can be applied to all countries, coming from acknowledged and reliable sources. Simultaneously, the assessment criteria must be adapted to the specific context. The level of development strongly varies from one country to another, which is why it is crucial to focus on a limited number of criteria which are vital to sustainability. For instance, the literacy rate is not relevant in developed countries in Europe, it is more so in countries such as Brazil, Ghana and Malaysia.

Best-in-class combined with best-effort approach

The sustainability analysis focuses on five key drivers (Transparency & Democratic Values, Environment, Education/Innovation, Healthcare & Wealth Distribution and Economics) which contribute to the total score according to their relative weight. 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 criterion (death penalty or the signing of the Kyoto protocol, for example) a score of either 0 or 100 will apply. The final and overall score of a country is equal to the weighted average Sustainability of the scores on each criterion, using the weights which are decided by the Fixed Income Sustainability Advisory Board.

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. In total, the model has around 60 indicators. The selection process results in a ranking of the 92 countries. The final scoring is rounded up to avoid an excessively unstable universe as decimals are statistically irrelevant.

20%

ENVIRONMENT

Ecological footprint,
Ecological performance index, etc.

28%

TRANSPARENCY AND DEMOCRATIC VALUES

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

20%

EDUCATION / INNOVATION

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

20%

POPULATION HEALTH & WEALTH DISTRIBUTION

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

12%

ECONOMICS

Private debt,
Competiveness, etc.

Trend criteria 50%

Specific economic data are taken into account to assess the fiscal situation of a country. Indeed, the stronger the fiscal and budgetary position, the more a country needs to invest in purposeful governance programs to manage social and environmental risks and support long-term sustainability goals. Economic data is therefore an additional key driver (competitiveness index, budget balance, public debt, etc.) but the weight assigned is lower than the four other key drivers as this type of data are also taken into account by the investment team in their fundamental research and analysis.

For the sake of comparability, data are historical. To avoid subjectivity in the model, no data based on future promises (policies, etc.) are considered.

The approach is dynamic as the selected criteria are reviewed twice per year with the intention of selecting the most appropriate and relevant criteria for each domain. An indicator may be replaced and adapted, or omitted. New indicators can enter the model and the allocation of the weightings may also vary.

The model predates the Sustainable Development Goals

The 17 Sustainable Development Goals (SDG's), 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.

DPAM is proud of its pioneer sustainability model that predates the SDG's.
SDG's are so much more than a mere different framework to communicate on our ESG and sustainable investment philosophy. We review the country model taking into account the SDG's to increase its relevancy and to better integrate these objectives in our investment decisions.

DPAM is signatory of the UN-PRI

Sources are internationally recognized

The model aims for the 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 governmental 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.

Keeping an holistic view

Our sustainability country model relies on five dimensions namely (1) transparency and democratic values, (2) environment, (3) population, health and wealth distribution, (4) education and innovation and (5) economics. This does not hide the high interconnectivity between these five closely correlated dimensions.

Over the last years, we witnessed several disruptions and even contradictions regarding governance, social concern or environmental issues. This is why sustainability analysis at country level has been essential in an integrated model.

In terms of governance, the strength of the governing institutions is a key indicator to ensure the reliability and stability of the adopted policies and programs. These enable countries in facing internal and/or external challenges and obstacles.

The lack of credible and meaningful policies could impact the social stability of a country. Sound corporate governance is indisputable. At the same time, social instability weighs on long-term growth potential and economic development of a country.

The examples of citizens, through NGO's, suing the States for lack of responsibility in their environmental ambition and emissions targets – is testament to the strong relationship between governance and environment.

The ambitious environmental policy adopted by China also reveals the link between environment and social stability. Facing a growing middle class, which opposes the constant smog and its dramatic health consequences, Chinese leadership has no other choice than taking the required measures to ensure social stability in a healthy living environment.

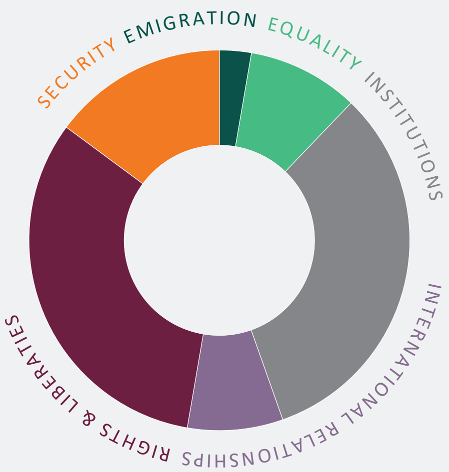
Sustainability themes

Within each driver, the FISAB has assessed the different sustainability themes measured by the indicators and their respective importance. Following the SDG's, the model is constantly reviewed to ensure the right balance between the sustainability themes.

TRANSPARENCY AND DEMOCRATIC VALUES

Democratic values have been at the heart of our model since its inception. For more than 13 years, we have tracked reputable sources such as Freedom House or the Democracy index. **2019 recorded the worst average global score of the index since its first edition in 2006**. This is mainly explained by developments in Latin America and Sub-Saharan Africa with a deterioration in the majority of the themes related to democracy i.e. civil liberties, electoral process, and function of government. Sadly the biggest decline referred to civil liberties. Today, more than one third of the global population lives in non-democratic countries, with a large share being in China. Governments and institutions have suffered from government dysfunction, insufficient transparency and lack of accountability. These facts negatively impact civil society's perceptions of control and confidence in public authorities and political parties. This must be monitored carefully as **the erosion of trust in institutions and public authorities is generally decisive in firing unrest and serious instability**.

2019 was a year of protests in several countries, including Bolivia, Chile, Colombia, Ecuador and Venezuela in Latin America. Also Asia has not been spared, with the epicentre of the protests in Hong Kong. Africa was also strongly affected, mainly by protests in Cameroon, Ethiopia, Nigeria and South Africa. These social demonstrations, that also emerged in authoritarian countries, might bring hope for **a regeneration in democratic practices**, which would bring **solutions** to corruption, inequalities and violation of human rights.



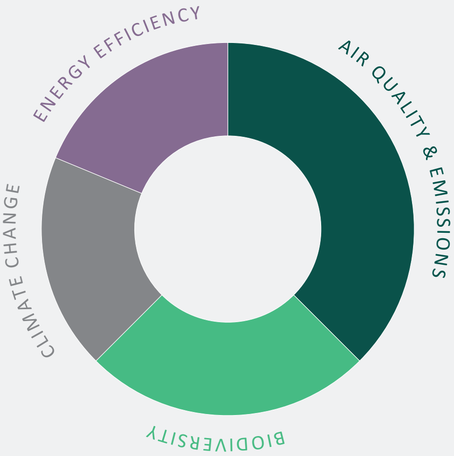
ENVIRONMENT

All specialists and experts agree on the **continuous increase in emissions of greenhouse gases,** year after year. 2018 reached a new record high (55,3 GtCO2) with the dominance of the fossil CO2 emissions from energy use and industry. The consequences of COVID-19 might slowdown this observation but likely only in the short term horizon only. Human activities are the root cause of global warming, which is affecting people, ecosystems and livelihoods worldwide. The scenario of 2 degrees is challenging; nevertheless, governments should be more ambitious given the gains a scenario of 1.5 degrees offers compared to the 2°C scenario. For example, the area at risk of ecosystems' transformation (from one type to another) is estimated 50% lower between the two scenarios (source: IPCC Special report on global warming of 1,5°C). In order to achieve this, unprecedented industry transitions are needed, as well as major changes across all aspects of our society.

The most industrialized countries are regularly pointed as the biggest polluters (and indeed G20 members account for around 78% of global GHG emissions). Nevertheless, there are also efforts needed from emerging countries to induce **a fair transition**. Indeed non OECD emissions have substantially increased over the last several years, close to the double of the emissions levels of the OECD.

The emissions must be observed globally i.e. consumption-based emission should also be included in the carbon footprint. They could tell another story when included; the EU per capital emissions are therefore higher than Chinese ones when consumption-based emissions are included.

Up to now, the commitments from the countries are quite deceiving with few frontrunners and a bleak global picture. **The question of deforestation is also** key here. Many countries have committed to net zero deforestation targets in the coming decades, but actions and measures have not followed up to now. However, **climate protection and adaptation are pre-requirements for social rest and peaceful stability**. Today, States have technological decarbonization innovations and progress at their disposal at a cheaper cost than in the past. Synergies can be high between climate action and economic growth, as a lever for job creation for example. Finally they can benefit from the momentum to adopt ambitious policies while concerting all stakeholders.



Principles for Responsible Investment

DPAM is signatory of the UN-PRI

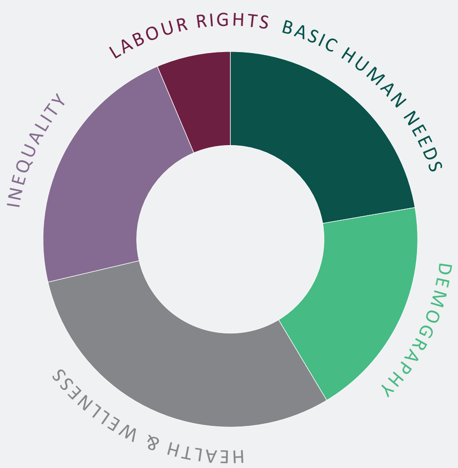
POPULATION, HEALTH & WEALTH DISTRIBUTION

A new social "agreement" has emerged in this century. Disruptive and contradictory trends have evolved as work opportunities have expanded and employment rates – until recently before the pandemic – have risen in a large majority of countries. However, while many social benefits have improved for a large part of the population, several countries have faced job polarisation and income stagnation. **Job polarisation** has been exacerbated by the work shift from manufacturing to service-sector jobs as well as shift from low to high skill, as a result of automation and globalization. Digital platforms, growing automation, etc. have led to labour-costs arbitrage and higher required flexibility from the labour markets at, sometimes, the detriment of employment protection. Another effect from this flexibility is the wage negotiation mechanisms as workers covered by collective agreements might have declined. This could partially explained the wage stagnation perceived in a large majority of the OECD countries and usually largely below the average annual GDP growth observed in the same members states. Furthermore, the median income increase has been inferior to the average wage growth rate and testifies to the inequality in salary increase among income groups.

This **wage stagnation** combined with substantial **increase in cost of basic necessities**- as housing first, but also healthcare and education- **has eroded welfare, increased inequality gaps and exacerbated relative poverty**.

Another feature of this new social "agreement" is the combination of **longer life expectancy with declining birth rates**. Countries have started to increase the statutory retirement age and even to link this explicitly with the life expectancy like in Denmark, Finland or Sweden. This increasing age dependency ratio is also putting pressure on the fiscal sustainability of governments and the net pension replacement rate workers can expect to receive. These will have to be compensated with private savings while the risk of indebtedness of households is increasing.

All this is increasing tensions and social instability, particularly in a context where the institutions' intervention has been continuously reduced. Sustainable countries will be those able to leverage the latest technological gains and social progress to create exciting opportunities and inclusive economic prosperity for all.



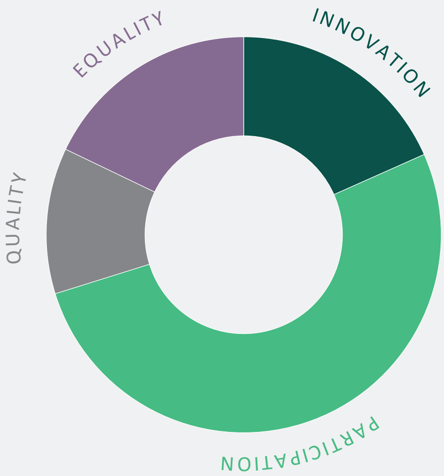
EDUCATION/INNOVATION

States have **many reasons to invest in the education** of their population, as better skills contribute to:

- Higher wages and better individual job prospects;
- Higher productivity and earnings for companies;
- Higher fiscal revenues for governments;
- Enhancing the level of skills of the population leads to a decrease of non-employment levels and can even increase health standards.

In our sustainability model, we look beyond investments and expenditure, and we also pay great attention to the **outcome of these investments**, such as the education level acquired by the generations.

This **education level is key for determining employment rates**. Therefore, it also has an impact on the future growth of the States. A lack of investment in education by a State is shortsighted, because States jeopardise their future by hampering the economic participation of their population, productivity growth, and future fiscal revenues. In consequence, future economic growth suffers.



PRI Principles for Responsible Investment

DPAM and its commitment towards sustainability

Degroof Petercam Asset Management (DPAM) considers today's global challenges as major opportunities for tomorrow. By looking at the world from a disciplined and broader perspective, our partners and investors stand to benefit from our approach and expertise. For us, being a responsible investor is not solely about offering responsible products, it is a global commitment at the company level defined by a consistent approach to sustainability.

Our commitment

Defend the basic and fundamental rights

- Human Rights, Labour Rights, Fight against Corruption and Protection of Environment

Express an opinion on controversial activities

- No financing of usual suspects
- Clear controversial activity policy & Engagement on controversial issues
- Avoid controversies that may affect reputation, long term growth and investments

Be a responsible stakeholder and promote transparency

- Bring sustainable solutions to ESG challenges
- Engage with companies, promote best practices and improvements

The mission statement of responsible investing is the cornerstone of DPAM's commitment to sustainable finance and aims at fostering a sustainable economy by unlocking long-term economic and social value. DPAM is an independent financial institution with the fiduciary duty to act in the best long-term interests of its clients. Individuals, organisations, companies and countries, all face a growing number of long-term challenges and new paradigms. That is why investors are increasingly paying attention to sustainability factors and their impact on the long term. This has all resulted in new insights in the field of financial analysis. Sustainable development is part and parcel of profitability and the ability to create long-term shareholder value.

We aim at aligning our investment activities with the broader interests of society. This predominantly involves incorporating in our decision making process key questions about the impact of our investment. DPAM turns to various independent experts specialized in environmental, social and governance matters. As a member of our scientific boards or as an invitee to our "responsible investment corners", they make an important contribution to enhancing our processes and methodologies. Sharing information and engaging with a positive yet critical mind-set endow DPAM's professionals with a sense of responsibility and prompts them to act as knowledgeable and well-informed investors.

Integrating ESG challenges with knowledge about risks and opportunities

DPAM's core business is managing assets for its clients in their sole interest, based on a financial objective that is consistent with the client's objectives and guidelines. We are convinced that ESG-issues can impact the performance of investment solutions. 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 management more proactive.

At DPAM, ESG issues are not isolated processes but are fully integrated throughout the entire investment process. This is done through engaging with companies by the investment and research teams as well as different stakeholders such as extra financial rating agencies. We refrain from "dictating" to our clients what is responsible or not, nor what is sustainable or not. However, we map all the risks and opportunities associated with a specific investment and understand how ESG factors affect our investment decisions.

Responsible ownership: making its voice heard

As a shareholder and economic actor, DPAM bears a personal social responsibility:

- Ensuring that the rights of shareholders and other stakeholders are respected. DPAM has adopted a voting policy and participates in general and extraordinary shareholders' meetings. We speak up so that the companies we invest in are managed according to best practices in terms of corporate responsibility. Our voting policy provides detail on our approach to promoting best practices in terms of corporate governance.
- Engaging in a dialogue with the companies we invest in. This means, raising key questions with investee companies and engaging with them to ensure that the rights of shareholders as well as those of other stakeholders are respected to create long term shareholder value. Our engagement program details our commitment and procedures to uphold this vision.

DPAM became a signatory to the UN Principles for Responsible Investment (PRI) in 2011. This has been an important milestone in our sustainable journey by adopting a clear and formalized responsible investment policy and by prompting us to integrate ESG in our financial analysis.

OVER A 18 YEAR TRACK RECORD
in sustainable investing

SIGNATORY OF UN-PRI SINCE 2011
Highest rating A+ for our expertise

PIONEER IN SUSTAINABLE SOVEREIGN DEBT
over EUR 2.3 bn invested

OVER EUR 7 bn IN SUSTAINABLE STRATEGIES,
across various asset classes

EXERCISE OUR VOTING RIGHTS IN 571 COMPANIES
in Europe and North America

All sustainable funds accredited with both the **INDEPENDENT LUXFLAG ESG LABEL** and the **FEBELFIN TOWARDS SUSTAINABILITY LABEL**

ACTIVELY ENGAGED IN DIALOGUE WITH OVER 170 COMPANIES
regarding corporate governance practices

Supporter of **TCFD RECOMMENDATIONS** and **SIGNATORY OF THE CLIMATE ACTION 100+**

PRI Principles for Responsible Investment

DPAM is signatory of the UN-PRI

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