Degroof Petercam
Trust. Knowledge.

GLOBAL SUSTAINABLE INVESTMENT POLICY

Degroof Petercam Asset Services S.A.

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1. SCOPE

The aim of a Global Sustainable Investment Policy (hereafter "GSIP") is to define the general and global framework and measures to be applied to identify, classify and communicate the risks that sustainability matters present to investments (so called "Sustainability Risk"). Moreover, the GSIP describes how products that promote ESG criteria, or which have a sustainable investment objective, are defined and assessed.

In particular, this policy:

- Defines the principles established to determine the sustainability risks regarding investment decisions and client investment services in general.
- Defines the extra-financial selection and qualification process for all financial instruments and how these instruments can be used to define ESG-promotion or impact products.

2. SCOPE OF APPLICATION

Degroof Petercam Asset Services ("DPAS") acts as Alternative Investment Fund Manager and Management Company under chapter 15 of the Law of 17 December 2010 concerning Undertakings for Collective Investments. Consequently, DPAS qualifies as Asset manager within the meaning ofSRD II. DPAS services cover the entire value chain of an investment vehicle, either Home funds or Third-Parties funds, Domiciliary Agent, Administrative Agent, Registrar and Transfer Agent, Portfolio Management. Under Article 2 of the Sustainable Finance Disclosure Regulation, DPAS qualifies as a Financial Market Participant.

The high-level principles set out in this policy are referring to Degroof Petercam SA ("DP")'s GSIP to have a common base for all DP entities, but have been adapted to take the specificities of DPAS into account.

3. BACKGROUND INFORMATION

3.1. HISTORICAL INTRODUCTION

The Paris Agreement reached in 2015 was negotiated by representatives of 196 state parties during the COP 21 of the United Nations Framework Convention on Climate Change (UNCCC). The goal ofthe Paris agreement is to keep the increase in global average temperature to well below 2 Celsius degrees above pre-industrials levels in order to limit irreversible impacts of climate change.

Reaching the goal has serious implications and requires urgent action both from public and private investors. The Paris agreement led to the launch of the EU action plan which aims to support objectives through Sustainable Finance and reorient capital flows towards sustainable investments inorder to achieve sustainable inclusive growth. It is also important to manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues. Finally, it is time to foster transparency and long-termism in financial and economic activity.

The time when environment, social and governance issues were the niche concern of small groups of ethical or socially responsible investors is long gone. The University of Oxford has reviewed academic literature on sustainability and corporate performance (200 studies) to find out that in most cases, good ESG standards at companies helped lower the cost of capital, that good ESG

practices result in better operational performance and that price performance is positively correlated with good sustainability practices. Investment managers should take this into account for the benefit of their client and must be able to disclose how it impacts their investment process in full transparency.

3.2. WHY SUSTAINABILITY MATTERS

The Stockholm Resilience Centre led a group of 28 internationally renowned scientists to identify andquantify a set of priorities relating to human-induced change to the environment that regulate the stability and resilience of the earth system. Based on a research published in the journal, Science, in 2015, it appears that four of nine planetary boundaries have been crossed as a result of human activity. These are climate change, loss of biosphere integrity, land-system change and altered biogeochemical cycles. It is time to act to limit human's impact on the remaining boundaries.

On September 29th, 2015, the Governor of the Bank of England and Chairman of the Financial Stability Board, Mark Carney, made a speech which became a cornerstone for the integration of climate change to financial regulators (see "Breaking the Tragedy of the Horizon – climate change and financial stability"):

> *"Climate change is the tragedy on the horizon. We don't need an army of actuaries to tell us that the catastrophic impacts of climate change will be felt beyond the traditional horizons of most actors – imposing a cost on future generations that the current generation has no direct incentive to fix…The horizon for monetary policy extends out to two to three years. For financial stability it is a bit longer, but typically only to the outer boundaries of the credit cycle – about a decade. In other words, once climate change becomes a defining issue for financial stability, it may already be too late."*

What many studies have highlighted goes in the same direction. The cost of not acting today may be far below the costs society will have to bear in the future if nothing is done.

For financial markets, this means some companies will face significant challenges which may deteriorate their financial balance sheets. But it may also create opportunities for the companies which decide to transition and apply best practices towards climate change mitigation.

3.3. SUSTAINABLE FINANCE DISCLOSURE REGULATION (REFERRED AS "SFDR" IN THE DOCUMENT)

As part of the EU action plan and in order to address the importance of Sustainability matters and the impact of non-managing it correctly the EU adopted in 2019 the Sustainable Finance Disclosure Regulation (Reg 2019/2088). Moreover, SFDR targets to enhance the transparency regarding ESG andsustainable investments and avoid greenwashing.

This regulation is applicable to Financial Market Participants (hereafter "FMP") and Financial Products. The meaning of a Fund under this GSIP is a UCITS or an AIF.

SFDR foresees a set of different disclosure rules regarding sustainability and Environmental, Social and Governmental matters (hereafter "ESG").

The Regulatory Technical Standards (RTS) has been delayed and will be applicable from January 1st 2023. This regulation is supplementing Regulation (EU) 2019/2088 with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation the principle of "do no significant harm", specifying the content, methodologies and

presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on website and in periodic reports.

4. Legal obligations of DPAS under SFDR

4.1. INTEGRATION OF SUSTAINABILITY RISK

Sustainability risks can affect funds in different ways. There are growing evidence of direct linkage between climate-derived catastrophes and business risks.

Physical risks resulting from climate change (like floods or hurricanes) can affect companies' revenues, profits, increase insurance costs and deteriorate balance sheet structurally.

Transition risks are the result of changes in climate and energy policies while shifting to a low-carbon economy, resulting in fines, higher taxation or stranded assets. The sustainability risks affect profitability and could impact these companies' stock market performance.

Under SFDR, DPAS has to disclose how it integrates potential sustainability risks in its investment decision processes. The management of several funds has been delegated to third-party managers who take their own investment decisions.

Based on the developments of DP's methodologies on the approach towards sustainability, DPAS has developed its own screening and classification process of financial products.

All financial instruments under the scope of DPAS are screened and categorized. DPAS considers that the higher the risk exposure and unmanaged part of this risk might become, the higher the potential reputational and financial impacts are. Depending on the classification of the different funds under SFDR, DPAS manages the ESG risk based on the methodology described in chapter 5.

Depending on the SFDR product typology (cfr. 4.4.1), DPAS has set different rules, the scope being detailed in chapter 5.

4.2. IMPACT ASSESSMENT OF PASI

Under SFDR, DPAS needs to assess the impact of its investment decisions on sustainability themes. This needs to be done by a yearly disclosure at entity level[1] based on the Principle Adverse Sustainability Indicators (so called "PASI").

A specific policy is available on DPAS' website.

4.3. INTEGRATION OF SUSTAINABILITY RISK IN REMUNERATION POLICIES

The integration of the sustainability risks, a part of the remuneration rules, is described in the DP relevant Remuneration policies. More information on this element can be found on www.dpas.lu.

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[1] At a later stage also on a product level the PASI disclosure should be done.

4.4. PRODUCT GOVERNANCE AND RELEVANT DISCLOSURE

4.4.1 Product typologies

Based on the legal definitions under SFDR, DPAS defines 4 types of products being in scope of SFDRand commercialised towards investors. These are described (together the "SFDR products") as:

- Article 6 Products not integrating ESG or Sustainability in their Investment Process
  - So called "Non-ESG products"
  - Investment process is specific and or cannot integrate sustainability or ESG criteria due to its specific nature (be it short-term, based on technical analysis,…);
  - No written or oral communication around ESG is authorized about the product
  - Does not make publicly any reference to ESG even if it holds instruments which may be considered as fitting the ESG characteristics;
  - Disclose why integration of sustainability risks are not relevant with a clear and concise explanation of the reasons thereof;
- Article 8 SFDR product:
  - So called "ESG promoted products";
  - May be promoted/marketed as integrating ESG criteria;
  - May not have the wording "sustainable/sustainability" in their name;
  - All underlying investments needs to be aligned with good corporate governance practices;
  - This product holds financial instruments based on pre-defined rules.
  - ESG integration need to be binding and be integrated in the Investment Decision Process with firm commitments in order to avoid greenwashing.
- Article 8-plus SFDR product:
  - Sub-category of the Article 8 SFDR products;
  - Can be promoted/marketed as integrating ESG criteria. This product can contain the word "sustainable" in their name;
  - All underlying investments needs to be aligned with good corporate governance practices;
  - Contain a selection of underlying investments (see further) that have a sustainable objective. These specific investments need to comply with the "Do Not Significantly Harm"[2] principle;
  - his product holds financial instruments based on pre-defined rules;
  - The ESG integration and the sustainable investment objectives need to be binding with firm commitments in order to avoid greenwashing.
  - To be considered sustainable, Article 8-plus products need either to disclose a commitment to hold a certain percentage of sustainable assets, or need a Taxonomy alignment, or need to disclose which Principal Adverse Impacts are taken into account
- Article 9 SFDR product:
  - So called "Impact products";

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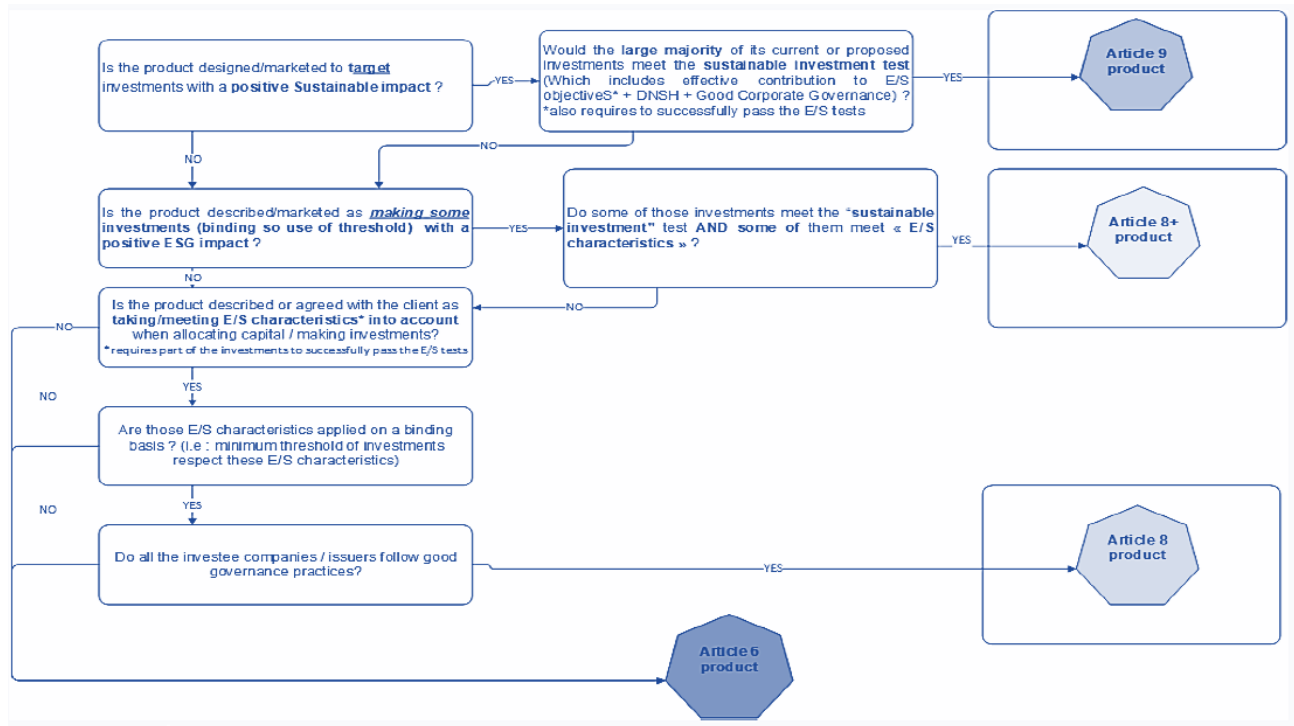
[2] This principle intends to guarantee that when an underlying investment is marked as having a sustainable investment and want to positively improve a social or environmental criteria, this positive push is not detrimental to other environmental or social characteristics.

- May be promoted/marketed as having a sustainable investment objective, meaning that the product strives to have a positive impact on one or more environmental or social characteristics;
- All underlying investments needs to be aligned with good corporate governance practices and need to comply with the “Do Not Significantly Harm” principle;
- This product holds financial instruments based on pre-defined rules;
- The ESG integration and the sustainable investment objectives need to be binding with firm commitments in order to avoid greenwashing;
- The fund determines the percentage of sustainable investments it expects, then what impact it targets and how it is assessing this impact against a well-defined benchmark

For the avoidance of doubt, products that are in scope of SFDR, are referred to in this policy as “SFDR product”. The underlying investments, like equity, bonds, funds are referred to in this policy as “SFDR categories”.

4.4.2 SFDR Product overview scheme

The following scheme indicates the decision process to define to which category an SFDR product belongs:



4.4.3 SFDR Pre-contractual requirements for Article 8 and 9

Article 8, Article 8 plus and Article 9 need to comply with pre-contractual requirements from SFDR RTS, as stated in its Annex.

Pre-contractual disclosures for Article 8 products are available on:

- https://ec.europa.eu/finance/docs/level-2-measures/C_2022_1931_2_EN_annexe_acte_autonome_cp_part1_v5.pdf

Precontractual disclosures for Article 9 products are available on:

- https://ec.europa.eu/finance/docs/level-2-measures/C_2022_1931_3_EN_annexe_acte_autonome_cp_part1_v5.pdf

All investment managers of DPAS, including delegated managers, need to provide precise answers on all the questions raised within the RTS as this information is be inclosed into fund prospectus.

4.4.4 SFDR Periodic disclosure requirements for Article 8 and 9

Article 8, Article 8 plus and Article 9 need to comply with Template periodic disclosures for financial products, as stated in its Annex of the RTS.

Template periodic disclosures for Article 8 products are available on:

- https://ec.europa.eu/finance/docs/level-2-measures/C_2022_1931_4_EN_annexe_acte_autonome_cp_part1_v5.pdf

Template periodic disclosures for Article 9 products are available in Annex 5 of:

- https://ec.europa.eu/transparency/documents-register/detail?ref=C(2022)1931&lang=en

Investment Managers of Articles 8 and 9 need to provide detailed answers on all questions raised within the Template periodic disclosures (SFDR RTS) in due time. Those information need to be in line with the pre-contractual disclosures. Investment Managers are required to mention the source ofdata information which is used.

5. DPAS' Extra-Financial Investment Process

5.1. GLOBAL DESCRIPTION

In order to determine sustainability risks, DPAS applies a process to all financial instruments underthe scope of DPAS. In this process, a set of exclusion has been set and qualifying elements are added. The financial instruments where sustainability can be considered are:

- Equities (including long CFD's)
- Bonds or other fixed income products, issued by corporate issuers or states
- Funds, both in-house funds as funds of third-party fund providers

The following instruments or products however are not rated nor screened, these are classified under a "No category" value:

- Cash or plain deposits
- Derivatives (excluding long CFD's) / Structured Products
- Physical gold
- Instruments without relevant data: e.g. small caps

All screened and classified instruments (the **underlying instruments**) form together the underlying instruments categories.

5.2. DATA PROVIDERS

In order to support its extra-financial classification methodology, DPAS uses information and data sets defining ESG criteria and scorings from at least one third-party data provider.

5.3. DPAS' MONITORING OF SUSTAINABILITY RISK

Sustainable risks are generally long-term oriented while some investment strategies may have shorter time horizons. The monitoring of the sustainability risks in the decision-making process may vary depending on the strategy of each fund and the targeted product policy (see 4.4.1.).

Funds not promoting environmental or social characteristics (good governance practices being a minimum request) should not make any reference of those characteristics in their investment decision-making process (and documentation). They nevertheless need to disclose why sustainability risks are not taken into account.

Funds actively promoting environmental or social characteristics or promoting sustainable investments are screened based on a third-party data provider in order to monitor if portfolios are aligned with the objectives described in their investment processes. DPAS aims to avoid greenwashing in full transparency for investors.

Sustainability risks is assessed by DPAS (with the use of ECP Confluence as data provider). A quantitative review of all the portfolios making at least the promotion of environmental or social characteristics take place on a quarterly basis. For portfolios failing to comply with DPAS' requirements, an engagement procedure is performed with delegated managers that need to provide evidence of why their sustainability analysis provides different results than those used by DPAS (using data from its third-party data provider).

Answers are collected in a qualitative review done by the Risk Management and the Investment Management of DPAS.

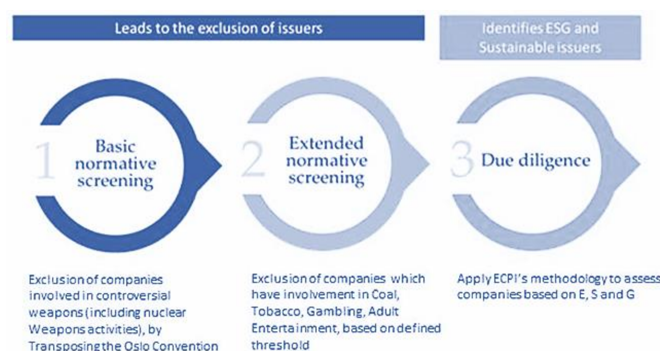
5.4. DETAILED DESCRIPTION OF DPAS'S EXTRA-FINANCIAL CLASSIFICATION METHODOLOGY

5.4.1 Screening methods for funds

For third-party funds, DPAS reviews funds in look-through with Confluence. The same methodology applies to consider if securities meet DPAS' expectations for funds at least promoting environmental and social characteristics. The partnership between Confluence and Morningstar allows DPAS to monitor data on the condition that recent portfolios are well available on Morningstar.

5.4.2 Screening methods for Equities and Bonds: The Three pillars

For equities and bonds direct lines, a 3-pillar screening is performed that allows to categorize these financial instruments. The following chart shows the different steps – the 3 pillars – in the Screening process that are used.



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1. Pillar 1 – Basic normative screening (applied to all funds within DPAS)

With this 1st pillar, a basic screening is realized to exclude companies that are involved in Controversial Weapons:

Minimum request for Article 6 issuers		
1st Pillar	**Equities or Bonds**	Are excluded companies that are directly or indirectly involved in the development, production, maintenance, or sale of weapons that are illegal (Anti-personal land mines, Cluster munitions, Depleted uranium & Nuclear weapons outside Not Proliferation Treaty)
	Funds	Are excluded funds that have an involvement in controversial weapons (Morningstar data)

2. Pillar 2 – Extended normative screening

With this 2nd pillar, DPAS executes an extended normative screening on different layers which exclude controversial issuers or sectors:

Threshold for Compliant issuers		
2nd Pillar	**Thermal Coal**	Are excluded companies that have revenues from extraction or power production : > 10% as a producer, supplier or distributor
	Tobacco	Are excluded companies that have revenues involvement in Tobacco : > 5% as a producer or > 15% as a supplier, distributor and retailer
	Gambling	Are excluded companies that have revenues involvement in Gambling related activities : Direct Revenues > 15% or indirect revenues from ownership > 5%
	Adult Entertainment	Are excluded companies that have revenues involvement in Adult Entertainment >5% as a producer or > 15% as a supplier, distributor and retailer

Index-funds (passive strategy) replicating a sustainable index or a specific ESG approach are considered as automatically compliant with the exclusion list as the index methodology (index constituent selection is the responsibility of the index administrator and the rule of exclusions and/or thresholds applied) may differ from the ones described in this policy. The use of an index and its pertinence must be well defined from inception.

3. Pillar 3 – ESG (Environmental, Social and Governance) Rating Methodology

Pillar 3 applies to both ESG integration investments and Sustainable investments.

It is applicable to funds article 8, article 8 plus and article 9 of the Disclosure Regulation (SFDR) to ensure appropriateness of the investment processes of the various Investment Managers. The application of DPAS ESG rating methodology will be carried out on a regular basis to ensure that those funds hold a minimum of investments above a defined level based on at least one third-party data provider.

Funds classified as Article 8+ and Article 9 under SFDR do not allow controversies.

In the event that these thresholds are not met, the Management Company engages with the Investment Manager and requests a qualitative assessment and/or a prospective analysis on the securities that breach thresholds. Results are assessed and reviewed by the Risk Management and Investment Management of DPAS.

This sustainable test is required to consider investments which can be categorized as Article 8 plus and Article 9 SFDR products. The Do Not Significantly Harm (DNSH) test is reviewed qualitatively.

6. Rules on SFDR products at DPAS

6.1. GENERAL

Based on the above described, the classified underlying investments will be determined within the SFDR categories.

6.2. SFDR PRODUCT RULES

Depending on the type of an SFDR product, DPAS will impose the following binding and firm criteria.

These criteria are defined by DPAS at global level and can't be overruled by Investment Managers.

6.2.1 Article 6 SFDR products (both non-ESG and neutral products)

As these SFDR products are not linked to any ESG criteria and are not marketed as such, no specific rules do apply here (except the pillar 1).

6.2.2 Article 8 SFDR products

For an Article 8 SFDR product, DPAS makes sure that all the underlying investments respect the principles of good corporate Governance. An Article 8 SFDR product will also have at least 33,5% of underlying investments that are linked to an Environmental or Social characteristic.

6.2.3 Article 8 Plus SFDR products

For an Article 8 plus SFDR product, DPAS makes sure that all the underlying investments respect the principles of good corporate Governance. An Article 8 plus SFDR product will also have at least 33,5% of underlying investment that are linked to an Environmental or Social characteristic.

Moreover, an Article 8 plus SFDR product has a dedicated environmental or social objective. These specific investments also respect the DNSH principle.

6.2.4 Article 9 SFDR products

For an Article 9 SFDR product, DPAS makes sure that all the underlying investments respect the principles of good corporate Governance. An Article 9 SFDR product will have a dedicated environmental or social objective based on underlying investments that internally are rated as sustainable. These specific investments will also respect the DNSH principle. An Article 9 product needs to disclose what is the impact it is targeting and how it compares this impact with a relevant benchmark.

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7. Training

DPAS has organised a mandatory training session for its staff on SFDR and additional sessions to the attention of the relevant staff with focus on:

- A global overview of SFDR regulation;
- Expectations regarding the RTS and reporting requirements applicable from January 1st, 2022.

8. Review of the Global Sustainable Investment Policy

The integration of sustainability is a positive and on-going development for the financial industry and this will affect the whole value-chain of funds and managed portfolios with an objective of transparency towards investors. This is an on-going process which will require regular adaptations.

Depending on the development of the regulation and the best practices in the market, the current GSIP may be frequently reviewed and stakeholders are invited to regularly monitor this GSIP to take recent changes into account.

DPAS intends to review its Global Sustainable Investment Policy in order to be aligned with:

- The new requirements defined under the SFDR RTS and under the Taxonomy regulation;
- the announced changes to UCITS and AIFMD in the field of ESG integration in the investment decision of the Fund.

DPAS, by the relevant Business line, will further review its Global Sustainable Investment Policy on a yearly basis, or more frequently if deemed necessary.