ARVESTAR

STATEMENT ON PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

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ARVESTAR

I. SUMMARY

Arvestar Asset Management SA/NV (Arvestar), 894500DWK6LOHKOF4F26, considers principal adverse impacts of its investment decisions on sustainability factors ("PAI").

This statement is the consolidated statement on principal adverse impact on sustainability factors of Arvestar and covers the reference period from 1 January 2024 to 31 December 2024.

Arvestar assesses principal adverse impact at entity level by measuring and monitoring the aggregated negative impact on sustainability factors of the Funds' investments. Arvestar considers the mandatory principal adverse impact indicators and two voluntary indicators, defined by the Sustainable Finance Disclosure Regulation (SFDR), subject to data availability and quality.

This statement applies consistently to all funds for which Arvestar acts as the management company and which all qualify as article 8 funds as per Regulation (EU) 2019/2088 (the Funds). Arvestar does not consider adverse impacts of its investment decisions on sustainability factors for derivatives as no established accounting methodologies are available for these financial instruments.

Arvestar is part of the Argenta Group and has been appointed as the management company of the Argenta pension saving funds and of Argenta DP (the "Funds").

Degroof Petercam Asset Management, appointed by Arvestar as Investment manager of the funds, implements the ESG strategy in the investment process of the Funds.

Principal adverse sustainability impacts should be understood as impacts of investment decisions that result in negative effects on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

More concretely, the SFDR framework requires the consideration of mandatory indicators on climate and other environment-related indicators, social and employee, respect for human rights, anti-corruption and anti-bribery matters. The regulation also provides for additional indicators on which integration and reporting should be determined based on materiality and availability of data.

This statement provides details on the different principal adverse indicators and maps policies to identify and prioritise principal adverse impacts on sustainability factors. Arvestar's ESG Investment Policy is used to identify and prioritise principal adverse impacts. Arvestar's stance on active ownership represented in its Voting & Engagement policy mitigates potential adverse impacts of its investments. The different policies and subsequent approaches of Arvestar are rooted in international standards.

DPAM, appointed by Arvestar as Investment manager of the Funds, systematically integrates Environmental, Social and Governance (ESG) factors in the investment process of the Funds for investments in listed equities and both corporate and sovereign bonds. Investing in companies and states which integrate ESG considerations into their business models or do their best to ensure the long-term welfare of their citizens, exposes shareholders and bondholders to fewer "tail risks".

The chapter 4 entitled " ESG as part of the investment process" of our ESG Investments Policy describes how the ESG integration is organized for the different asset classes.

II. DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Arvestar's policies which depict how Principal Adverse Sustainability Impacts (PAIs) are taken into consideration include:

- the ESG Investment policy; and
- the Voting & Engagement policy.

The tables below exhibit the mandatory PAIs for both corporates and sovereigns, as well as the additional PAIs for environmental and social matters.

The voluntary indicators were selected after a careful consideration of the major materiality risks across the Fund's investments that were not yet covered by other indicators on principal adverse impacts on sustainability factors.

These tables include the different adverse sustainability indicators, a short description of the metric, the quantitative impact of the PAIs as the average of impacts of these PAIs on 31 March, 30 June, 30 September and 31 December) of the period from 1 January to 31 December 2024, 2023 and 2022 as well as an explanation of the historical evolution, and the actions taken, actions planned and targets set for the next reference period.

The quantitative values of the column Impact [year 2024] are based on data collected from the Investment manager (DPAM) who uses a broad range of external ESG research providers such as Sustainalytics, MSCI ESG Research and Trucost. The tables also contain the respective values for 2023 and 2022 which were published in previous year statements.

For the purpose of the calculation of impact in tables 1, 2, 3 and 4, cash and derivatives (if any) were excluded from the scope.

The reported figures are based on the data available at the time of writing and may include estimates.

Table 1 Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Unit	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS								
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	tons CO2e	80.368,34	85.128,22	81.311,83	Note that GHG emissions, Carbon Footprint and GHG Intensity metrics can fluctuate with market movements, as SFDR regulation stipulates in its methodology the use of respectively Entreprise Value Including Cash (EVIC) and sales denominators. The latter, used in GHG intensity calculations, impacted the entity level figures. It should also be noted that a lot of scope 3 emissions originate from modelled data, which is more prone to fluctuations. When looking at scope 1 emissions, we can observe the largest contributors having better figures than last year, but the top 50 of the largest contributors having an overall largest figure. Moreover, a strong fluctuation in data for a significant number of companies over 1 years' time can be observed.	Through its ESG Investment policy, Arvestar excludes certain companies from investment. As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies. As part of its negative screening, Arvestar excludes companies with revenues derived from thermal coal sector. Companies with revenues derived from unconventional oil & gas production are also excluded as well as companies with revenues from conventional oil & gas exploration, extraction and refining (thresholds also apply for transport). Arvestar has also set stringent exclusions thresholds for issuers involved in the generation of power from non-renewable energy sources or providing dedicated equipment or services to the abovementioned sectors. All thresholds for exclusion are depicted in the ESG Investment policy. Next to the focus on activities, the extensive negative screening (behaviour) excludes companies with the most severe controversial behaviour. This covers a company's operational aspects such as emissions, as well as the environmental impact of its products and services. Through its Voting & Engagement policy witch incorporates the Financial manager (DPAM)'s voting policy and engagement policy, Arvestar influences companies on their behaviour with regards to greenhouse gas emissions. It systematically votes for say-on-climate proposals in case these are ambitious enough and votes against if not meeting the requirements for its pre-defined framework. As part of its environmental values, it focusses engaging companies on disclosing scope 3 emissions and science-based targets. The engagement policy has a clear escalation process, that is consistent with ambition to have the Funds achieve net zero emissions by 2050. Part if these engagements take place through the Climate Action 100+ and CDP's Non-Disclosure Campaign that DPAM is member of. Additional details in this area can be found in the respective policies. Arvestar supports the goal of net zero greenhouse gas emissions by 2050 or sooner in line with the goals of the Paris Agreement to limit warming to 1.5°C. In line with the Net Zero Asset Management (NZAM) initiative (DPAM is a signatory of NZAM), interim targets have been defined for the Funds by 2030 : 75% of the portfolio constituents of carbon intensive sectors need to have Science Based Targets or emissions aligned with a 1.5°C scenario by 2030. Moreover, 50% of the portfolio constituents of non-carbon intensive sectors need to have Science Based Targets or emissions aligned with a 1.5°C scenario by 2030. Material greenhouse gas related risks are part of the Best-in-class screening, ultimately favouring the best performers. As described in its ESG investment policy, Arvestar excludes the 20% worst scoring companies per sector (based on the issuer's ESG rating) from the investment universe, so the 80% best scoring companies are eligible.
		Scope 2 GHG emissions	tons CO2e	38.386,31	30.576,79	26.531,09		
		Scope 3 GHG emissions	tons CO2e	1.149.542,00	1.172.069,45	144.783,39		
		Total GHG emissions	tons CO2e	1.268.765,82	1.287.774,46	630.313,93		
		Total GHG emissions (Scope 1 + 2)	tons CO2e	119.223,44	115.705,02	109.044,43		
	2. Carbon footprint	Carbon footprint	tons CO2e /EUR M invested	184,94	321,94	171,50		
		Carbon footprint (Scope 1 + 2)	tons CO2e /EUR M invested	17,34	28,86	29,67		
	3. GHG intensity of investee companies	GHG intensity of investee companies	tons CO2e /EUR M revenue	640,89	566,32	683,26		
		GHG intensity of investee companies (Scope 1 + 2)	tons CO2e /EUR M revenue	82,92	66,78	100,72		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	% of AUM (excl. sovereign bonds)	4,94%	4,53%	4,83%	No significant change	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources						
		5.1. Share of non-renewable energy consumption	% of total energy consumption	50,68%	53,35%	54,63%	No significant change	
		5.2. Share of non-renewable energy production	% of total energy production	1,07%	0,93%	1,25%	No significant change	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector						
		6.1. Agriculture, forestry and fishing	GWh /EUR M revenue	0,00	0,00	0,00	No significant change	
		6.2. Construction	GWh /EUR M revenue	0,17	0,25	0,25		
		6.3. Electricity, gas steam and air conditioning supply	GWh /EUR M revenue	2,28	2,72	2,50		
		6.4. Manufacturing	GWh /EUR M revenue	0,30	0,38	0,43		
		6.5. Mining and quarrying	GWh /EUR M revenue	0,00	0,00	0,00		
		6.6. Real estate activities	GWh /EUR M revenue	0,40	0,46	0,49		
		6.7. Transportation and storage	GWh /EUR M revenue	0,17	0,22	0,22		
		6.8. Water supply: sewerage, waste management and remediation activities	GWh /EUR M revenue	0,00	0,00	0,00		
		6.9. Wholesale and retail trade; repair of motor vehicles and motorcycles	GWh /EUR M revenue	0,13	0,05	0,07		

Adverse sustainability indicator		Metric	Unit	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS								
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	% of AUM (excl. sovereign bonds)	1,62%	2,34%	2,26%	No significant change	Through its ESG Investment policy, Arvestar excludes certain companies from investment. As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies. As part of its negative screening, Arvestar excludes companies with revenues derived from thermal coal sector. Companies with revenues derived from unconventional oil & gas production are also excluded as well as companies with revenues from conventional oil & gas exploration, extraction and refining (thresholds also apply for transport). Arvestar has also set stringent exclusions thresholds for issuers involved in the generation of power from non-renewable energy sources or providing dedicated equipment or services to the abovementioned sectors. Arvestar also excludes companies in the palm oil value chain that don’t adhere to proper certifications. All thresholds for exclusion are depicted in the ESG Investment policy. Next to the focus on activities, the extensive negative screening (behaviour) excludes companies with the most severe controversial behaviour. This covers a company’s operational aspects such as causing severe biodiversity loss, as well as the environmental impact of its products and services. Material biodiversity related risks are part of the Best-in-class screening, ultimately favouring the best performers. As described in its ESG investment policy, Arvestar excludes the 20% worst scoring companies per sector (based on the issuer's ESG rating) from the investment universe, so the 80% best scoring companies are eligible.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	tons /EUR M invested	0,0013	0,0043	0,0043	The largest contributor of the portfolio to this adverse impact in 2023, has been exited in 2024.	Through its ESG Investment policy, Arvestar excludes certain companies from investment. As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies. As part of its negative screening, Arvestar excludes companies with revenues derived from unconventional oil & gas production which is heavily polluting water resources. All thresholds for exclusion are depicted in the ESG Investment policy. Next to the focus on activities, the extensive negative screening (behaviour) excludes companies with the most severe controversial behaviour. This covers a company’s operational aspects such as causing severe water pollution loss, as well as the environmental impact of its products and services. Material emissions to water related risks are part of the Best-in-class screening, ultimately favouring the best performers. As described in its ESG investment policy, Arvestar excludes the 20% worst scoring companies per sector (based on the issuer's ESG rating) from the investment universe, so the 80% best scoring companies are eligible.

Adverse sustainability indicator		Metric	Unit	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS								
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	tons /EUR M invested	4,20	13,81	2,19	We can observe a severe drop in hazardous waste value of the most contributing company in 2023, that is still part of the portfolio in 2024.	Through its ESG Investment policy, Arvestar excludes certain companies from investment. As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies. As part of its negative screening, Arvestar excludes companies with revenues derived from thermal coal sector which creates radioactive waste. Arvestar has also set exclusions thresholdsfor issuers involved in nuclear power generation. All thresholds for exclusion are depicted in the ESG Investment policy. Next to the focus on activities, the extensive negative screening (behaviour) excludes companies with the most severe controversial behaviour. This covers a company’s operational aspects as well as the environmental impact of its products and services. Material risks of hazardous waste and radioactive waste are part of the Best-in-class screening, ultimately favouring the best performers. As described in its ESG investment policy, Arvestar excludes the 20% worst scoring companies per sector (based on the issuer's ESG rating) from the investment universe, so the 80% best scoring companies are eligible.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS								
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	% of AUM (excl. sovereign bonds)	0,00%	0,00%	0,00%	Excluded by ESG policy	Through its ESG Investment policy, Arvestar excludes certain companies from investment. As part of the normative screening, companies in breach with the Global Standards are omitted from investments. Not complying with these Standards equates to violating UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	% of AUM (excl. sovereign bonds)	35,52%	42,91%	58,79%	We can observe a steady increase of companies with the necessary compliance mechanisms to monitor compliance with Global Standards. The proliferation of (inter)national regulations on due diligence and extra-financial reporting are one of the reasons for the wider adoptions of these monitoring mechanisms.	Through its ESG Investment policy, Arvestar excludes certain companies from investment. As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards focus on -but are not limited to- labour rights and human rights. The extensive negative screening (behaviour) excludes companies with the most severe controversial behaviour. This covers a company’s operational aspects such as causing severe human rights or labour infringements, as well as the social and societal impact of its products and services. Through its Voting & Engagement policy witch incorporates the Financial manager (DPAM)’s voting policy and engagement policy, Arvestar influences companies on having proper processes and compliance mechanisms to monitor alignment with Global Standards. It is member of the collaborative engagement initiative ADVANCE by UN PRI (United Nations Principles for Responsible Investment), which expects companies to fully implement the United Nations Guiding Principles on Business and Human Rights (UNGPs). Material lack of processes and compliance mechanisms for Global Standards is part of the Best-in-class screening, ultimately favouring the best performers. As described in its ESG investment policy, Arvestar excludes the 20% worst scoring companies per sector (based on the issuer's ESG rating) from the investment universe, so the 80% best scoring companies are eligible.

Adverse sustainability indicator		Metric	Unit	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS								
Social and employee matters	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	% difference in average gross hourly earnings	13,76%	15,74%	17,01%	The gender pay gap slightly improved over the last reporting period	Through its ESG Investment policy, Arvestar excludes certain companies from investment. As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- upholding the elimination of discrimination in respect of employment and occupation. Through its Voting & Engagement policy witch incorporates the Financial manager (DPAM)'s voting policy and engagement policy, Arvestar influences companies on the potential unadjusted gender pay gap. It systematically votes for proposals that strive to close potential unadjusted gender pay gaps. Material unadjusted gender pay gap is part of the Best-in-class screening, ultimately favouring the best performers. As described in its ESG investment policy, Arvestar excludes the 20% worst scoring companies per sector (based on the issuer's ESG rating) from the investment universe, so the 80% best scoring companies are eligible.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	% female board members	39,82%	38,93%	37,63%	No significant change	Through its Voting & Engagement policy witch incorporates the Financial manager (DPAM)'s voting policy and engagement policy, Arvestar influences companies on their behaviour with regards to board gender diversity. It systematically votes against the nomination committee of a company in case the board does not meet the 1/3 female board members. Material board gender diversity is part of the Best-in-class screening, ultimately favouring the best performers. As described in its ESG investment policy, Arvestar excludes the 20% worst scoring companies per sector (based on the issuer's ESG rating) from the investment universe, so the 80% best scoring companies are eligible.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	% of AUM (excl. sovereign bonds)	0,00%	0,00%	0,00%	Arvestar's ESG policy prohibits any exposure to controversial weapons	Through its ESG Investment policy, Arvestar excludes certain companies from investment. As part of its negative screening, Arvestar excludes companies with any direct revenue exposure to anti-personnel landmines, cluster munitions, biological and chemical weapons.

Table 2 Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Unit	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	tons CO2e /EUR M GDP	178,69	267,89	396,04	This metric requires the use of a GDP denominator which positively impacted the ratio over the course of 2024. The denominator of this PAI is expressed in EUR. Therefore, a biased view is generated due to Forex impact of the denominator of this metric.	Through its (Voting &) Engagement policy witch incorporates the Financial manager (DPAM)'s voting policy and engagement policy, Arvestar influences countries in bettering their social and environmental performance. The start of any engagement is the country sustainability scorecards, which includes an environmental pillar, which includes elements such as energy efficiency and GHG intensity. The GHG intensity indicator is part of the country sustainability model developed by DPAM for the sovereign bond investments. It is therefore included in the country sustainability scorecards that are the building blocks for the country sustainability rankings, as part of the positive screening.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Absolute number and relative in % of fixed income AUM (excl. corporate bonds)	0 0,00%	0 0,00%	0 0,00%	Arvestar's ESG policy prohibits investments in sovereign bonds of issuers that are non-free and non-democratic. Arvestar was not exposed to countries subject to social violations.	Through its ESG Investment policy, Arvestar excludes certain countires from investment. As part of its negative screening, Arvestar excludes investments in sovereign bond issuers that are considered non-free and authoritarian. Through its (Voting &) Engagement policy witch incorporates the Financial manager (DPAM)'s voting policy and engagement policy, Arvestar influences countries in bettering their social and environmental performance. The start of any engagement is the country sustainability scorecards. These scorecards include a social pillar with a focus on population, healthcare and wealth distribution, and a governance pillar covering transparency and democratic values. Investee countries subject to social violations are included in the country sustainability scorecards. These scorecards are the building blocks for the country sustainability rankings, as part of the positive screening.

Table 3 Additional climate and other environment-related indicators

Adverse sustainability indicator		Metric	Unit	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Water, waste and material emissions	6. Water usage and recycling	6.1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies	m3 / EUR M revenue	4.746,35	6.092,48	8.788,99	This metric also requires the use of a revenue denominator, positively impacted by market movements over the course of 2024	Through its ESG Investment policy, Arvestar excludes certain companies from investment. As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- undertaking initiatives to promote greater environmental responsibility. As part of its negative screening, Arvestar excludes companies with revenues derived from unconventional oil & gas production. Material risks of water usage and recycling are part of the Best-in-class screening, ultimately favouring the best performers. As described in its ESG investment policy, Arvestar excludes the 20% worst scoring companies per sector (based on the issuer's ESG rating) from the investment universe, so the 80% best scoring companies are eligible.
		6.2. Weighted average percentage of water recycled and reused by investee companies	m3 / EUR M revenue	No accurate data available yet	No accurate data available yet	No accurate data available yet		

Table 4 Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability indicator		Metric	Unit	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	Days lost	0,04	0,02	0,02	No significant change	Through its Voting & Engagement policy witch incorporates the Financial manager (DPAM)'s voting policy and engagement policy, Arvestar influences companies on the number of days lost to injuries, accidents, fatalities or illness. It systematically votes for proposals that strive disclose more metrics or set ambitious targets in this regard. Material figures around number of days lost of injuries are part of the Best-in-class screening, ultimately favouring the best performers. As described in its ESG investment policy, Arvestar excludes the 20% worst scoring companies per sector (based on the issuer's ESG rating) from the investment universe, so the 80% best scoring companies are eligible.
Human Rights	10. Lack of Human Rights Due Diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	% of AUM (excl. sovereign bonds)	24,13%	22,16%	-	No significant change	This additional voluntary social adverse impact indicator has been chosen as upcoming European regulation will push companies to have more robust processes in identifying, preventing, mitigating, and addressing human rights impacts. The Investment manager social due diligence process also identifies companies with lacking the relevant processes to target for engagement.

III. DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Arvestar's ESG Investment policy is designed to identify and prioritise principal adverse impacts on sustainability factors. The last version of this policy was adopted in June 2025 by Arvestar's Executive Committee and subsequently validated by Arvestar's Board of Directors on 25 June 2025.

Arvestar's Executive Committee takes overall responsibility for implementing this policy within the organisation's strategies and procedures. The Executive Committee receives quarterly updates regarding the adverse impact of the funds' portfolios.

Degroof Petercam Asset Management has been appointed as Investment manager of the Funds and implements the ESG Investment policy of the Funds. DPAM as Investment manager has a long track record in implementing ESG strategies. The portfolio managers accordingly integrate quantitative and qualitative ESG insights and research in the investment processes, with the aim of improving the long-term performance of the Funds and reducing the sustainability risks.

The portfolio managers can capitalize on the extensive internal DPAM expertise of:

- Responsible Investment Steering Group (RISG): Reflects on ESG challenges by promoting responsible investing, spreading ESG knowledge and enhancing RI & ESG expertise internally and externally.
- Responsible Investment Competence Center (RICC) : Guides all initiatives, methodologies and projects related to the ESG aspects of the investment processes.
- Buyside research analyst team: sustainable and responsible investment indicators are integrated in all buy-side investment cases (top down and/or bottom up).

The Investment manager (DPAM) uses a broad range of external ESG research providers such as Sustainalytics, MSCI ESG Research and Trucost to implement the ESG strategies of the Funds.

Moody's VE ESG Solutions was in 2024 the data provider of Arvestar for the exclusion lists concerning controversial activities and controversies. The controversy database notifies real time allegations against companies in the portfolios. Besides, Arvestar monitors the ESG performance of the funds via Moody's VE ESG Solutions data lab. Customized analysis files and reports on issuer profiles ensure that ESG objectives are achieved.

Arvestar also has a Voting & Engagement policy that considers some of the principal adverse impacts, as depicted in the Tables in Appendix.
The Arvestar Funds are in scope of DPAM's engagement policy which is consistently applied to all investment funds managed by DPAM. The DPAM engagement policyis articulated into two pillars:

- Engaging to reduce the negative impact of an investment
- Engaging to defend our values and convictions on:
    - Promoting ESG best practices through voting
    - Environment and Climate risk
    - Social and human rights infringement
    - Corporate Governance and Corporate Taxation

The Voting & Engagement policy describes the implementation of the voting activities in line with expectations on corporate governance. Arvestar's voting policy incorporates DPAM's voting policy. Arvestar has delegated to DPAM the exercise of the voting rights attached to shares of issuers (within the scope of DPAM's voting policy) held by the Funds.

The tables in section III.5 below exhibit the mandatory PAIs for both corporates and sovereigns, as well as the additional PAIs for environmental and social matters. These tables include the different indicators, a short description of the metric, the policies in which these metrics are taken into consideration, and their main data source.

1. IDENTIFYING AND PRIORITISING ENVIRONMENTAL PRINCIPAL ADVERSE INDICATORS FOR CORPORATES

First, it is important to note that the normative filter carried out for the funds, known as the global standards check, includes an environmental protection filter.

Second, the negative screening filter is used to assess both the controversial behaviour and activities of companies, and how they relate to environmental matters. Controversial behaviour covers a company's operational aspects such as emissions, waste, biodiversity, and water usage, as well as the environmental impact of its products and services.

Finally, regarding environmental criteria that might have a negative material impact, the Investment Manager (DPAM) research and portfolio management teams pay particular attention to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Adverse environmental indicators of the investments are monitored and particularly PAIs related to GHG emissions and energy performance.

The top five companies that contribute to the carbon intensity of the portfolios are systematically assessed by using a template that includes the following adverse environmental indicators: data on greenhouse gas emissions and carbon emissions (scope 1, 2, and 3 if relevant), as well as water data. In addition to quantitative data, analysts have identified key material risks for each sector.

The financial risks related to climate change (such as carbon price risks or physical risks related to drought) are considered by financial analysts responsible for the main sectors affected by the transition, including energy, transport, real estate, materials, agriculture, food and forestry. They assess financial risks related to climate change, such as carbon price risks or physical risks resulting from drought.

DPAM also increasingly integrates physical risks, such as those resulting from natural disasters and climate change, into its investment approach through its own internal research.

Climate risks are also assessed by sector. DPAM analyses these risks in the main sectors impacted by the transition, such as energy, transport, building materials, agriculture, food and forestry, as designated by the TCFD.

Climate change risks are integrated in the Funds investments through a two-pronged approach:

- Measuring the impact of our investments on climate change (e.g. NZAM reducing the carbon footprint of its portfolios to align with a 1.5 degrees scenario);
- Measuring the impact of climate change on its investments (e.g. TCFD integrating the consequences of droughts on a utility's hydropower production into its assessment).

2. IDENTIFYING AND PRIORITISING SOCIAL PRINCIPAL ADVERSE INDICATORS FOR CORPORATES

First, a normative screening based on the Global Standards identifies issuers that do not comply with fundamental principles and, consequently, excluded from the investment universe of the Funds.

Second, the controversies screening identifies the companies facing the most severe social controversies, namely supply chain, society and community, customers and employees. Moreover, in-depth analysis of lower severity controversies also enables the identification of issuers prone to higher severity controversies in the future. The filter on controversial activities also includes elements to mitigate severe adverse social impacts (e.g. tobacco thresholds, adult entertainment).

Through these first two filters, issuers are distinguished based on key adverse principal indicators, such as violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) guidelines for multinational enterprises, and indicators related to employee health, security, safety, and accident prevention policies.

The fundamental research and active voting instructions implemented by the Investment manager also allows to focus on another crucial social PAI: board diversity, including board gender diversity, as well as board experiences and expertise on diversity and adequacy.

Finally, the question of gender pay gap is also part of the fundamental analysis when relevant. It is included in the ESG score of the company, which can be used to rank the issuers in terms of best practices.

It's worth noting that Arvestar is subject to the Mahoux law, which prohibits direct and indirect financing of controversial weapons in Belgium. Arvestar does not finance this type of weaponry. The PAI filters all assets at the start of the process to avoid exposure to controversial weapons.

3. IDENTIFYING AND PRIORISATING PRINCIPAL ADVERSE INDICATORS FOR SOVEREIGNS

Next to the evaluation of companies business, the investment analysis also covers a screening for governments. A country sustainability model is used by the Investment manager (DPAM) to screen Sovereign bonds.

The GHG intensity of investee countries is an integral part of the model. It is therefore included in the country sustainability score and may influence it positively or negatively depending on its level and evolution in relation to other issuing countries.

The identification and prioritisation of the social principal adverse indicator for sovereigns is also embedded in the country sustainability model. This model includes several indicators on the social aspect, such as respect for civil liberties and political rights, respect for human rights and the level of violence in the country, commitment to major labour law conventions, the issue of equal opportunities and distribution of wealth, etc. These different indicators are included in the country sustainability score and can influence it positively or negatively depending on its value and evolution per country.

4. MANAGING THE MARGIN OF ERROR

Several limitations can be identified in relation to the Investment manager methodology and the availability and quality of information on these topics. Analyses are largely based on qualitative and quantitative data provided by companies and other issuers, and therefore depend on the quality of this information. Although constantly improving, ESG reporting by companies and other issuers is still limited and heterogeneous. Furthermore, it remains difficult to anticipate the emergence of ESG controversies that could lead to an alteration in the quality of the ESG profile of the issuer being held in the portfolio. Finally, the limitations of the methodology also include those related to the use of non-financial rating agencies.

- The coverage rate of companies: following the re-balancing of certain reference universes, the rating agencies may stop covering a company;
- The bias towards large market capitalisations publishing a large amount of information and sustainability reports, as opposed to smaller market capitalisations with fewer marketing and reporting resources, the correlation between a company’s extra-financial rating and its publication rate remains relatively high;
- The bias towards good ESG practices based on a western benchmark, as extra-financial rating agencies remain conditioned by a western view of environmental, social and good governance issues, to the detriment of companies from emerging economies, particularly Asian ones;
- The relevance of the criteria used for the evaluation: the use of relatively global standards does not always make it possible to capture the particularities and truly material issues of certain specific economic activities, to the disadvantage of companies that are highly specialised in one sector of activity.

The first way to manage these different limitations is the cornerstone of Investment manager (DPAM)’s active and research-driven investor role. Engaging or undertaking a dialogue with companies remains the best possible method to ensure the accuracy of the analyses of data providers. It also provides valuable input for DPAM’s own research, such as scorecards or interpreting raw data from a company or sovereign issuer’s reporting. It also enables DPAM to convey its main expectations as a sustainable investor. Next to engaging, DPAM relies on different external data sources, such as CDP and the World Benchmarking Alliance, or specialised broker research, which can be used as input to carry out coherence checks with data from its providers.

Managing the margin of error for corporates

Despite these efforts, there is still a margin of error on the data of the principal adverse impacts. Working with data providers may always lead to inaccuracies, which DPAM tries to remedy through different means. These remediation steps include, but are not limited to:

- One key adverse impact is the exposure to companies facing violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, which aim to uphold four fundamental principles: defend human rights, defend labour rights, prevent corruption and protect the environment. ESG rating agencies assess companies’ compliance with these principles based on specific criteria derived from the 10 principles of the UN Global Compact. The analysis identifies companies that have faced incidents and severe controversies resulting in violations of these fundamental rights principles. The severity of the controversies and incidents is evaluated based on national and international legislation, but also considers international ESG standards, such as the recommendations of the

OECD for multinational companies, the conventions of the International Labour organization, the Universal Declaration of Human Rights, and others. DPAM uses two data providers to assess a company's compliance with these global standards, and if one or both providers flag a company as non-compliant, the company is excluded from the fund's eligible universe. This conservative approach ensures that no company with a potential breach of these standards is part of the Sub-fund.

- DPAM is aware of the same limitations when it comes to the controversies review and ensuring that the Sub-fund is facing no major controversies of maximum severity on environmental or social issues. For this reason, DPAM systematically excludes companies facing the highest controversy level based on reported data by its data provider, Sustainalytics. All companies facing a controversy level 5 (on a scale from 0 to 5, 0 being the lowest controversy level) are excluded from the Sub-fund's eligible universe. Moreover, each month, the Responsible Investment Steering Group meets to discuss the controversy level 3 with a negative outlook and level 4 of a distinct industry. Based on thorough analyses of these controversies, it is possible to either keep a name eligible, embark on an official engagement process, or exclude a name due to a controversy. DPAM believes that this prudent approach prevents it from having any exposure to companies facing major controversies or prone to face major controversies in the future.
- Data pertaining to greenhouse gas (GHG) emissions is gathered through S&P Trucost, which uses partially modelled and partially reported data. To ensure the accuracy of this data, DPAM leverages its Task Force on Climate-Related Financial Disclosures (TCFD) analyses to pinpoint potential incongruencies. Moreover, a sanity check is conducted for the top five GHG emitters and the five largest contributors to the GHG intensity of a Sub-fund, specifically for the publication of quarterly sustainability reports. In case of incorrect data, DPAM contacts its data provider to rectify the mistake.

Managing the margin of error for sovereigns

When it comes to the data used to enumerate the PAI for sovereign investments, it is used to feed in the country sustainability model developed by DPAM. The different pillars of this model are fed with a wide set of external data. By using these different data sources, DPAM can identify potential contrary data and, if needed, correct these.

5. LINK TO POLICIES AND DATA SOURCES USED

The tables below exhibit the different indicators used together with a short description of the metric, the policies in which these metrics are taken into consideration, and their main data source.

Table 1 Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Document describing the manner of PAI consideration	Main data source
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	ESG Policy, Voting & Engagement Policy	DPAM (S&P Trucost)
		Scope 2 GHG emissions		
		Scope 3 GHG emissions		
		Total GHG emissions		
		Total GHG emissions (Scope 1 + 2)		
	2. Carbon footprint	Carbon footprint	ESG Policy, Voting & Engagement Policy	
		Carbon footprint (Scope 1 + 2)		
	3. GHG intensity of investee companies	GHG intensity of investee companies	ESG Policy, Voting & Engagement Policy	
		GHG intensity of investee companies (Scope 1 + 2)		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	ESG Policy, Voting & Engagement Policy	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	ESG Policy, Voting & Engagement Policy	
		5.1. Share of non-renewable energy consumption		
		5.2. Share of non-renewable energy production		
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	ESG Policy, Voting & Engagement Policy	
		6.1. Agriculture, forestry and fishing		
		6.2. Construction		
		6.3. Electricity, gas steam and air conditioning supply		
		6.4. Manufacturing		
		6.5. Mining and quarrying		
		6.6. Real estate activities		
		6.7. Transportation and storage		
		6.8. Water supply: sewerage, waste management and remediation activities		
		6.9. Wholesale and retail trade; repair of motor vehicles and motorcycles		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	ESG Policy	DPAM (Sustainalytics)
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	ESG Policy	DPAM (Sustainalytics)
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	ESG Policy	DPAM (Sustainalytics)
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS				
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	ESG Policy	DPAM (Sustainalytics & MSCI ESG)
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	ESG Policy, Voting & Engagement Policy	DPAM (Sustainalytics)
Social and employee matters	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	ESG Policy, Voting & Engagement Policy	DPAM (Sustainalytics)
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	ESG Policy, Voting & Engagement Policy	DPAM (Sustainalytics)
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	ESG Policy	DPAM (ISS-Ethics)

Table 2 Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Document describing the manner of PAI consideration	Main data source
Environmental	15. GHG intensity	GHG intensity of investee countries	ESG Policy, Voting & Engagement Policy	DPAM (S&P Trucost)
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	ESG Policy, Voting & Engagement Policy	DPAM (Freedom House, The International Labour Organisation, the World Bank and Vision of Humanity)

Table 3 Additional climate and other environment-related indicators

Adverse sustainability indicator		Metric	Document describing the manner of PAI consideration	Main data source
Water, waste and material emissions	6. Water usage and recycling	6.1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies	ESG Policy	DPAM (S&P Trucost)
		6.2. Weighted average percentage of water recycled and reused by investee companies		

Table 4 Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability indicator		Metric	Document describing the manner of PAI consideration	Main data source
Social and employee matters	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	ESG Policy, Voting & Engagement Policy	DPAM (Sustainalytics)
Human Rights	10. Lack of Human Rights Due Diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	ESG Policy, Voting & Engagement Policy	DPAM (Sustainalytics)

IV. ENGAGEMENTS POLICIES

1. PROXY VOTING

As a shareholder, Arvestar has the right to vote in shareholder meetings for our companies with positions in the Arvestar Funds.

Participating in general and extraordinary shareholders' meetings is an important pillar for the Funds' shareholder responsibility. It can also be used to support voting decisions made at shareholders' meetings of investee companies, in accordance with a voting policy that actively supports best corporate governance practices.

Arvestar's voting (& Engagement) policy incorporates DPAM's voting policy. Arvestar has delegated to DPAM in its capacity as Investment manager of the Funds the exercise of the voting rights attached to shares of issuers (within the scope of DPAM's voting policy) held by the Funds.

DPAM's voting policy describes the scope and the manner in which DPAM exercises the voting rights attached to the shares of issuers held by the Funds. This policy describes the implementation of its voting activities in line with its expectations on corporate governance.

The principles listed below define the fundamental values that guide the votes issued during general meetings of listed companies in which the Funds invest. These principles aim to exercise voting rights in a clear manner and in the best interest of shareholders based on established corporate governance principles. Among these principles are the OECD, the ICGN (International Corporate Governance Network), the United Nations Principles for Responsible Investment (September 2001), the applicable national laws derived from European directives and regulations, the Glass Lewis policies in its role as a specialised firm as DPAM advisor, the TCFD (Taskforce on Climate-related Financial Disclosures) guidelines and recommendations, and other voting principles applicable to asset managers, provided that they do not contravene sovereign decisions taken by the DPAM operational body.

They consist of four elements:

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

The principles are reviewed annually to address legal and regulatory changes, as well as international best practices in corporate governance. The Investment manager Voting Advisory Board is responsible for the strategic framework of responsible ownership applied to the Funds.

These principles also include several principal adverse impacts, relating to greenhouse gas emissions and social and employee matters, including board gender diversity and executive remuneration.

2. CORPORATE ENGAGEMENT

Arvestar‘s (Voting &) Engagement policy relies on the Investment manager (DPAM) engagement policy. The Funds are in scope of DPAM’s engagement policy which is consistently applied to all investment funds managed by DPAM.

Given the multiple challenges and interactions companies are exposed to, a cautious and open-minded attitude is required, which is why DPAM has adopted an approach based on dialogue and collaboration with investees. This collaborative process takes place both within DPAM and externally.

DPAM adopted an engagement program in the second half of 2014. Since then, it has leveraged on experience, knowledge and sharing cooperation to adopt the latest engagement program publicly disclosed on its website.

To uphold best practice, DPAM relies on reputable sources including the International Corporate Governance Network, the UN Global Compact's 10 Principles, the OECD guidelines for multinational enterprises, the United Nations' Sustainable Development Goals, the OECD Due Diligence Guidance for Responsible Business Conduct, the Principles of Responsible Finance and recommendations from the Task Force on Climate-related Financial Disclosure (TCFD).

The engagement policy outlines DPAM’s vision of effective and sustainable investing. It aims to optimise our positive impact for the benefit of the society. The Engagement Policy has a double aim (a) to reduce the negative impact of DPAM’s investment; and (b) to defend DPAM’s values and convictions on the environment, social and governance issues. It highlights why DPAM engages and its choices on which topics to prioritise. The document explains the engagement process and its expectations in terms of progress from investee companies. It also includes details on means, channels and potential escalation.

1. Looking at the reduction of the negative impact of DPAM’s investments, the Responsible Investment Steering Group gathers to discuss the controversy level 3 with a negative outlook and level 4 of a distinct industry. Based on thorough analyses of these controversies, it is possible to either keep a name eligible, embark on an official engagement process, or exclude a name due to a controversy.

   In case of eligibility with engagement, engagement letters are written in collaboration with portfolio managers, buy-side analysts, and RI specialists to better understand the sustainable profile of companies. Generally, this engagement will be conducted as an individual initiative led by DPAM. If collaborative initiatives regarding the issuer and the controversy are already occurring, DPAM will decide to join the collaborative initiative for greater effectiveness.

2. With regards to defending DPAM's values and conviction on the environment, social and governance issues, the engagement policy sets out a whole range of engagement priorities. These go from promoting ESG best practices through voting, to environmental & climate risks, and social & human rights infringements. Lastly, DPAM also focus on corporate governance & corporate taxation as a topic.

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

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

Bondholders do not benefit from the same position or legal rights as equity holders, as they do not have the same voting rights. Therefore, engaging with issuers is particularly important for DPAM's fixed-income team. First, sustainability risks and opportunities are integrated at the inception of the research process, and the ESG profile of the issuer is considered by DPAM's credit analysts and fixed-income portfolio managers. Second, all the engaged dialogues to obtain more information on specific ESG issues or on Sustainable Development Goal (SDG)'s outcome of products and services are key information for all investment professionals, being bond or equity holders. This engagement should also be seen from the angle of sovereign bonds. The results of DPAM's sustainability model are the starting point of the systematic and formal engagement process we have started as sovereign bondholders.

3. SOVEREIGN ENGAGEMENT

Given the multiple challenges and interactions countries are exposed to, a cautious and open-minded attitude is required, which is why the Investment manager (DPAM) has adopted an approach including a dialogue with investees. Nevertheless, dialoguing with countries is different from dialoguing with corporates.

DPAM has adopted a formal and systematic engagement program with the countries since 2022. Since then, it has leveraged on experience, knowledge and sharing cooperation to adopt the latest engagement program publicly disclosed on its website.

Engagement with sovereign bond issuers is based on dialogue for mutual learning and it therefore aims to provide an exchange of information and best practice.

The dialogue is structured according to a multi-step process that progresses from awareness raising to focusing on the Paris Agreement's strategy and commitments. The primary objective is to raise awareness among governments about the importance of ESG integration, including in sovereign bond investments.

1. In the first phase of an engagement DPAM's role is to emphasise that investors consider ESG criteria in their investment decisions to indirectly encourage the adoption of policies that foster sustainable development.
2. In the second phase, DPAM introduces its proprietary country model. The Investment manager explains how it works, what DPAM learns from it and in particular discusses the scorecards DPAM produces for each of the countries eligible for investment. In this way, we highlight countries strengths and areas for attention, while gathering their feedback for a mutual exchange of information.
3. The third phase of engagement focuses on the importance of green finance and the country's potential in financing the transition. The Investment manager highlights DPAM's expectations regarding the use of the proceeds from bonds and share our expectations on the qualities of or improvements possible to green finance frameworks.

Finally, the Investment manager has an exchange about a country's alignment with the Paris Agreement and its ambition to reach Net Zero by 2050. Almost all countries have committed to achieve carbon neutrality by 2050; however it is important to assess the credibility of their claims and their pathway to reach this target.

The discussion about credible paths to alignment with the goals of the Paris Agreement is key for DPAM as a signatory of the Net Zero Asset Managers Initiative. Although sovereign bonds are typically out of the scope of such initiatives, we remain convinced of the importance of this asset class and therefore seek its alignment with our commitments.

V. REFERENCE TO INTERNATIONAL STANDARDS

The Funds do not invest in companies in breach with the 10 Global Compact principles of the UN Global Compact principles, ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties. A conservative approach is used to check the adherence of investee companies to these standards. In case a non-compliant status of a company is observed by either data providers Sustainalytics or MSCI ESG, the company is put on the blacklist.

Furthermore, DPAM is a signatory of the UN-supported Principles for Responsible Investment (PRI). The PRI is the world's leading proponent of responsible investment. The PRI helps its international network of investor signatories to understand the investment implications of Environmental, Social and Governance (ESG) factors, and to integrate those factors into their decisions related to investment and active ownership.

Forward looking climate scenarios are also used in different complementary ways:

- Arvestar supports the goal of net zero greenhouse gas emissions by 2050 in line with global efforts (the Paris Agreement) to limit warming to 1.5°C and supports investing aligned with net zero emissions by 2050 or sooner.
  In the context of the Net Zero Asset Management (NZAM) initiative (DPAM is a signatory of the NZAM), interim targets for 2030 have been defined for the Arvestar Funds. The Funds should accomplish the following portfolio-level targets by 2030 :
  - 75% of the portfolio's exposure to carbon-intensive sectors need to have Science Based Targets or emissions aligned with a 1.5°C scenario by 2030.

    - Moreover, 50% of the portfolio constituents of non-carbon intensive sectors need to have Science Based Targets or emissions aligned with a 1.5°C scenario by 2030.

  The data to assess this are directly derived from the Science Based Target initiative (SBTi) website.

- Earnings at carbon risk – transition risks are quite broad, ranging from regulatory risks to market or technology risks and could already include notably the fossil fuels risks. As a proxy to assess transition risks in a standardized manner, it was agreed to monitor carbon pricing risk exposure via the 'Carbon cost as % of EBITDA' according to three scenarios, provided by an external data provider. It is however agreed to target the more stringent scenario, due to recent market evolutions notably under the EU ETS.
- Adjusted credit ratings – DPAM signed an agreement with S&P Oliver Wyman to acquire a climate adjusted credit rating data tool, which allows for climate scenario analysis and credit analytics modelling. These ratings are integrated in the fundamental credit analysis and included in the TCFD assessments of DPAM.

VI. HISTORICAL COMPARISON

We refer to section II (Table 1, 2, 3 and 4) of this report for the historical comparison of the adverse impact indicators.

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