

ESG investment policy

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1 Scope and objectives of the policy

This ESG policy aims at describing and explaining Arvestar's choices regarding investments with environmental and/or social characteristics in alignment with the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter called "SFDR regulation").

It lists the commitments of Arvestar as a responsible actor and describes the adopted ESG strategies (ESG integration, best-in-class, norms-screening, etc.) and the way sustainability risks and ESG factors are integrated in the investment making decision process. Through the different choices, approaches and applied methodologies, the aim is to optimize the positive net impact on society and to reduce the negative impact of investments by integrating systematically the question of the harmful impacts any investment might have.

The Policy is applied to all investment funds which are managed by Arvestar.

2 Arvestar commitment towards sustainability

Sustainability is deeply embedded in Argenta Group's DNA. Sustainable investing refers to the process of taking due account of environmental, social and governance (ESG) considerations when making investment decisions in the financial sector, leading to increased longer-term investments into sustainable economic activities and projects.

Arvestar Asset Management (or "Arvestar"), as a subsidiary of Argenta, is very much committed to sustainability and therefore undertakes responsibility about social and environmental impact. Every investment decision has an impact.

Arvestar, as a management company, has a key role in defining the ESG strategies of the funds under management:

- Argenta Pension Fund (ARPE) and Argenta Pension Fund Defensive (ARPE Defensive)
- Argenta DP Dynamic Allocation and Argenta DP Defensive Allocation (two compartments of Argenta DP)

Arvestar benefits from the expertise of Degroof Petercam Asset Management (DPAM), Investment manager of the funds, allowing to add a dynamic and proactive dimension in the sustainable strategies and notably take advantage of:

- The expertise of the specialized ESG and buy-side analysts and portfolio managers to identify key sustainability drivers for each sector, assess companies ESG performance and challenge ESG data provided by external data providers;
- An active voting policy to defend and encourage ESG principles;
- A systematic process to engage in dialogue with companies to promote best practices in terms of corporate governance and ESG challenges. Engagement is also a tool to better understand the sustainable profile of companies and to reward the runners-up which are making efforts to improve.

The Arvestar approach to integrate ESG considerations in the investment strategy of the funds can be summarized as follows:

- To defend the fundamental rights (as per the UN Global Compact) pertaining to the respect for human rights, labor rights, anti-corruption and environmental protection and assess the seriousness of controversies that issuers may face;
- To avoid financing controversial activities that are deemed unethical and / or irresponsible and / or unsustainable;
- To promote companies having the best ESG performance while fostering on-going efforts and evolutions towards sustainability;
- To pursue/commit itself to a minimum proportion of sustainable investments.

3 Organization & Resources

Arvestar is a 100% subsidiary of Argenta Asset Management SA (AAM, a subsidiary of Argenta Spaarbank SA).

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.

DPAM implements the ESG strategy in the investment process of the funds.

DPAM as Portfolio 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 risks related to substandard ESG practices.

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).

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.

MSCI ESG Research is 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 MSCI ESG Manager. Customized analysis files and reports on issuer profiles ensure that ESG objectives are achieved.

Besides MSCI ESG Research, Arvestar has also access to two other ESG-data providers: Bloomberg ESG Solutions and Clarity AI.

Bloomberg provides a variety of proprietary scores to assess company or government disclosure and performance on a wide range of ESG and thematic issues. This function allows to identify the (relative) ESG performance of the issuers included in the portfolios of Arvestar funds.

Clarity AI is a sustainability technology platform that built an automated tool to assess companies and organizations from an ESG perspective. Leveraging its proprietary methodology and database, Clarity AI provides a tool that offers both aggregated ESG Risk and Impact scores, as well as extensive data visualization by ESG category, organization and security.

They allow Arvestar Risk Management to complement/challenge the data and reports provided by the ESG research providers used by DPAM.

4 ESG as part of the investment process

By entrusting the implementation of the ESG investment strategy to DPAM, the funds benefit from the long track-record of DPAM as a sustainable and responsible investor.

4.1 ESG factors

ESG factors are environmental, social or governance characteristics that may have a positive or negative impact on the financial performance or solvency of an entity, sovereign or individual.

On the other hand, these factors can also be negatively influenced by investment decisions. Hence, the need to quantify those negative impacts.

Environmental factors

Arvestar considers a large set of environmental factors in its investment process. Climate change and its impact on resource scarcity (i.e. food, water, energy and land) are paramount.

Arvestar calls for the effective mitigation of climate change and fully welcomes and supports the energy transition.

Arvestar is committed to reduce its negative impact by avoiding activities or behavior which can significantly harm a sustainable and inclusive growth as promoted by the EC 2030-2050 Program.

In this perspective, 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) website¹.

The Investment Manager of the Arvestar funds (DPAM) pays a particular attention to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

As supporter of TCFD recommendations, DPAM focuses on physical and transition risks:

- Transition risks: result from the ambition to limit global warming and prevent the occurrence of severe negative climate change patterns, which can have a devastating effect on the economy (policy and legal, technology, market and reputational risks) and are more severe for companies operating in carbon-intensive sectors.
- Physical risks are related to the physical impacts of climate change such as flooding or lack of resources. They impact the physical assets of a company (flooding, wildfires or hurricanes).

Besides climate change, other environmental factors are considered such as circular economy, natural resources conservation, etc.

To measure these factors, and the potential associated negative impact, several indicators are used (non-limitative list):

- Carbon emissions or weighted average carbon intensity;
- Renewable vs. non-renewable energy consumption or production;
- Water emissions;
- Water stress;
- Hazardous waste or non-recycled waste.

Social factors

Next to the environmental indicators, social factors are also monitored and integrated in the investment decision making of Arvestar's strategies.

Social factors concern the interactions between a company (activities) and its stakeholders: Employees, consumers, and communities.

- Employees: (proper) labor conditions in which the employees work throughout the whole supply chain (respect of labor and human rights, decent health & safety measures,...).
- Consumers: products aiming at improving the wellbeing of the end-users.
- Communities: duty to compete fairly with other firms, and mitigation of the risks associated with anti-competitive behavior linked to monopolistic practices

To measure these factors, and the potential associated negative impact, several indicators are used (non-limitative list):

- HR policies

¹ Science-based targets provide companies with a clearly-defined path to reduce emissions in line with the Paris Agreement goals. More than 4,000 businesses around the world are already working with the Science Based Targets initiative (SBTi).

- Existence of health and safety policies
- Customer's satisfaction
- Products health and safety
- Data privacy
- Policies on bribery and corruption

Governance factors

Thirdly, governance factors are monitored and integrated in the investment decision making of Arvestar's strategies too.

Governance factors are related to the impact that a company's management, processes and behaviors have on the long-term interest of the business, on its investors and on the community in which it operates.

To measure these factors, and the potential associated negative impact, several indicators are used (non-limitative list):

- Board of directors : independence, diversity and skills
- Audit and internal controls : non-audit fees
- Executive remuneration
- Business management controversies
- Shareholder's dissatisfaction
- Protection of minority shareholders

It should be noted that the monitoring and integration of these Environmental, Social and Governance factors, via the use of indicators and metrics, are translated in Arvestar's policies on exclusions, engagement and voting to properly identify and prioritize key negative impacts.

The Principle Adverse Impact indicators (i.e. to measure the negative impacts on ESG factors), PAI's, listed in Table 1 of Annex I of the Delegated Regulation (EU) 2022/1288 are monitored on portfolio level. The portfolio manager, DPAM, considers the Principal Adverse Impact indicators in the investment process as follows:

- The environmental PAI's, and more particularly those related to greenhouse gas emissions and energy performance are analyzed and monitored at the issuer level and at the portfolio level.
- The social PAI's are systematically screened through the three-step, disciplined research and investment process:
 - Global standards compliance filter: the global standards compliance filter is articulated around human rights, labour rights and prevention of the corruption.
 - Exclusion filter for companies involved in controversial activities; and
 - Exclusion filter for companies involved in major ESG controversies screening.

Within the corporate ESG assessment, the abovementioned indicators/KPIs are included in several parts of the screening process:

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- Norms-based screening targets environmental, social and governance factors, e.g. corporates breaching ILO conventions or human rights are excluded from the investible universe;
- Exclusionary screening
 - Controversial activities: Excluding companies involved in controversial activities.
 - Controversial companies: Excluding companies exposed to significant controversies/controversial behavior involving water emissions, waste, corruption and bribery, etc
- Best-in-class ESG screening targets environmental, social and governance factors, e.g. ESG ratings by extra-financial rating agencies consider material ESG topics and controversies related to the KPIs in their rating approach, hence excluding the worst performers.
- Commitment to a minimum proportion of sustainable investments:
 - Green/impact bonds or;
 - Companies that have a positive alignment with EU-Taxonomy criteria for sustainable activities or;
 - Companies which contribute through their products and services to the 17 Sustainable Development Goals (SDGs) defined by the United Nations (UN).

4.2 ESG Factors integration

Corporate issuers

The objective is to integrate ESG factors in the investment process, from the research phase to the final decision-making, by integrating key factors in all asset classes. The focus is on criteria that could affect the core drivers and most important financial metrics of the company. Section 5 mentions the different methods for incorporating ESG criteria in the investment strategy.

- In a first step, strategic challenges regarding ESG issues are identified (top down).
- In a second step, the approach concentrates on the materiality of the ESG issues i.e. identifying short and medium-term risks and opportunities and how the companies are preparing to address them. Whilst a range of ESG criteria is assessed, the focus is on identifying issues with a material impact on the sustainability of a company's activity and subsequently long-term profitability and shareholder value creation (bottom up).

The evaluated factors typically include sector specific ESG criteria. Within each sector and sub-sector, specific sectorial ESG criteria are retained to reflect sector-specific drivers and accurately identify the companies with a better position to face the challenges identified.

Key ESG factors are reviewed regularly by the data providers and DPAM analysts since the relevance and materiality of ESG factors can change over time.

The analysis essentially capitalizes on the ESG scoring reports of the research providers. In the event these research reports reveal important deficiencies or if ESG criteria are of significant importance for the company's long-term sustainability, DPAM's analysts will perform more in-depth analysis and additional actions like engagement are considered.

Sovereign issuers

Next to the evaluation of companies, the investment analysis also covers a screening for governments.

Arvestar also applies exclusion criteria on sovereign issuers. Those criteria are based on principles founded on respect for human rights, political and personal freedom, the fight against corruption, money laundering and the financing of terrorism.

Arvestar evaluates countries every six months based on the following international standards:

- The independent Freedom House program (<https://freedomhouse.org/countries/freedom-world/scores>). Countries qualified as "Not free" are excluded.
- Transparency International (<https://www.transparency.org>). Countries scoring lower than 40 on the corruption index are excluded
- The intergovernmental Financial Action Task Force ("[Black and grey" lists \(fatf-gafi.org\)](https://www.fatf-gafi.org/)). Countries that appear in the "black and grey" list are excluded
- The European Union Sanction List (<https://sanctionsmap.eu/#/main>). Countries that are under EU sanctions are excluded

The funds could invest for reasons of diversification or (currency risk) hedging, in public debt instruments issued by core reserve (non-EURO) currency issuers² that would not comply with the above requirements, to a maximum of 30% (in total) of the portfolio.

5 ESG Strategies

5.1 Sustainability Risks

A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

Sustainability risks are generally categorized as follows :

- Physical risks : potential loss of value of an asset due to detrimental exposure to a physical event such as global warming or shortage of raw materials.

² I.e. the US, Japan and the UK

- Transition risk : potential loss of value of an asset related to the transition to a green and sustainable economy. For example, due to the introduction of new legislation.
- Reputational risk : potential loss of value of an asset due to an event which undermines the reputation of an issuer.

These Sustainability risks are closely interconnected with the ESG factors which are integrated at the asset/sector level (as explained above).

Beyond data on the Principal Adverse Impact indicators (PAI), the Investment manager (DPAM) relies on a broad suite of ESG data, research, and services to assess sustainability risks, sustainable corporate governance, and climate risks.

ESG challenges are explicitly and systematically part of the investment analysis via the following strategies:

- Norms-based screening: Screening of investments according to their compliance with international standards and norms, e.g. the United Nations Global Compact principles.
- Exclusionary screening:
 - Controversial activities: Excluding companies involved in controversial activities.
 - Controversial companies: Excluding companies exposed to significant controversies/controversial behavior.
- Best-in-class screening: Selecting the best ESG profiles within a sector.
- Commitment to a minimum proportion of sustainable investments:
 - green/impact bonds or;
 - companies that have a positive alignment with EU-Taxonomy criteria for sustainable activities or;
 - companies which contribute through their products and services to the 17 Sustainable Development Goals (SDGs) defined by the United Nations

5.2 Norms-based screening

Normative screening is intended to defend fundamental rights by assessing compliance of the issuers with recognized Global Standards: UN Global Compact, ILO instruments, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and underlying Conventions and Treaties.

The predominant recognized Global Standard probably is the United Nations Global Compact. The ten principles of the UN Global Compact are grouped into four major domains: human rights, labor rights, environment, and anti-corruption efforts. Non-financial rating agencies carry out a compliance screening to identify which companies are facing severe controversies and incidents falling into the scope of the four domains of the Global Compact.

The severity of the allegations is assessed based on national and international law, but it also considers internationally accepted ESG standards (Global Standards). Following the assessment, companies are classified as compliant, non-compliant or are placed on a watch list.

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All issuers which are not compliant with the recognized Global Standards are excluded from the investment universe of the funds. If either Sustainalytics or MSCI ESG Research consider that an issuer is non-compliant, the issuer is excluded. In other words, DPAM does not require both Sustainalytics and MSCI ESG Research to declare an issuer non-compliant. One source is enough to trigger the exclusion.

The names on “watchlist” status are monitored over a longer period to determine whether structural progress is being made in risk management or performance, or whether the impact of the controversy is less than initially determined.

Research providers for the norms-based screening are Sustainalytics and MSCI ESG Research.

5.3 Exclusionary screening

5.3.1 Controversial activities

The screening leads to a reduction in the portfolio exposure to contentious sectors, and sometimes to a fully divestment from these sectors.

The funds incorporate a blacklist on a semi-annual basis based on the research from MSCI ESG Research. In addition to the blacklist, DPAM Portfolio management also integrates data on controversial activities from other sources (Sustainalytics, ISS ESG, ...), as well as their dedicated research to define the eligible investment universe of the funds.

The screening of the level of involvement of a company in a controversial activity is mainly measured by the degree to which the income from this activity contributes as a percentage to the total revenue of this company.

Summary of the revenue thresholds that apply regarding controversial activities³ :

Controversial Activity	Description	Revenue Threshold	Data Sources
Animal Welfare	Production of non-medical products tested on animals Companies that conduct animal testing for non-medical products, includes testing for chemicals, food and food ingredients, cosmetics, consumer products, agricultural products and other non-medical products. Exclusion does not apply if tests are performed in the context of regulatory obligations for animal testing.	>0%	MSCI ESG Research
	Production of medical products tested on animals Companies that conduct animal testing for medicines, drugs or medical devices intended for human use, includes tests to meet regulatory or legal requirements, animal testing for drugs, vaccines, over-the-counter (OTC) drugs, and research or studies using animal models. Exclusion does not apply if the tests are performed in the context of pharmaceutical tests by companies located in the USA, EU, Switzerland or Japan. Exclusion does not apply if tests are performed in the context of regulatory obligations for animal testing.	>0%	
	Intensive farming operations Companies involved in commercial animal husbandry for the purpose of food production.	>0%	
Weapons	Controversial weapons Companies involved in the production of the whole weapon systems ,or the components, of weapons considered as controversial, or companies involved indirectly through ownership ties to companies involved in such products: - cluster munitions, anti-personnel landmines and depleted uranium - biological or chemical weapons - blinding laser weapons, incendiary weapons, or weapons with non-detectable fragments	>0%	MSCI ESG Research
	Nuclear weapons Companies involved in the production of nuclear weapons, exclusive and dual-use delivery platform capable of delivering such products, intended and dual-use components of such products, services provided for such products, or involved indirectly through ownership ties to companies involved in such products or services.	>0%	MSCI ESG Research
	Conventional weapons Companies involved in the production of conventional weapons, or involved indirectly through ownership ties to companies involved in such products. Exclusion does not apply if : - the production and sale of weapons fall under the principle of dual use; and - the headquarters are located in a NATO country and - revenues are generated from countries that are not subject to international embargo sanctions and are not on the country exclusion list.	>0%	MSCI ESG Research
	Critical components for conventional weapons Companies that produce critical components for conventional weapon systems. Companies that produce components that are important to the weapon aspects of the weapon systems.	>0%	MSCI ESG Research

³ See also detailed description and exact scope in the next pages

	<p>Specific entries:</p> <ul style="list-style-type: none"> - Propulsion, engine systems and motors for combat vehicles, aircraft and ships, including locomotive equipment and systems, such as gearboxes and power transmission systems; - Propulsion, engine systems and motors for conventional rockets, torpedoes and other high-velocity projectiles; - Turbines for combat submarines; - Rotor blades; - Aircraft structures, vehicle chassis, ship hulls, engine nacelles and other major physical or structural components that are part of the vehicle platform. <p>Exclusion does not apply if :</p> <ul style="list-style-type: none"> - the production and sale of weapons fall under the principle of dual use; and - the headquarters are located in a NATO country and - revenues are generated from countries that are not subject to international embargo sanctions and are not on the country exclusion list. 		
Civilian Firearms	<p>Civilian Firearms</p> <p>Companies involved in the manufacture or retail sale of civilian firearms for civilian use or ammunition for such products, or involved indirectly through ownership relationships with companies involved in such products or services.</p>	>0%	MSCI ESG Research
Chemicals of concern	<p>Production of pesticides</p> <p>Companies involved in the production of biocides</p>	≥10%	MSCI ESG Research
Gambling	<p>Gambling operations or products</p> <p>Companies involved in gambling operations, including online or mobile gambling, and supporting activities</p>	≥5%	MSCI ESG Research
Pornography	<p>Pornography, adult entertainment services or facilitating access</p> <p>Companies involved in the production, distribution or retail of adult entertainment products or services</p>	≥5%	MSCI ESG Research
Tobacco	<p>Production of tobacco</p> <p>Companies involved in the production of tobacco products. It includes nicotine-containing products, including traditional and alternative tobacco smoking products.</p>	>0%	MSCI ESG Research
	<p>Distribution and retail of tobacco</p> <p>Companies involved in the distribution and retail of tobacco products. It includes nicotine-containing products, including traditional and alternative tobacco smoking products.</p>	≥5%	
	<p>Support to the tobacco industry</p> <p>Companies involved in supplying essential products to the tobacco industry</p>	≥5%	
Utilities	<p>Coal-fueled power generation</p> <p>Utilities companies with a "Renewable energy ratio" (RER) above market average</p>	>10%	MSCI ESG Research
	<p>Oil & gas power generation</p> <p>Utilities companies with a "Renewable energy ratio" (RER) above market average</p>	No threshold	LSEG
Coal	<p>Coal-related activities</p>	>0%	MSCI ESG Research
	<p>Coal-fueled power generation</p> <p>All sectors except Utilities</p>	>0%	
Unconventional Oil & Gas	<p>Shale gas, oil sands and shale oil -related activities</p>	>0%	MSCI ESG Research
	<p>Conventional Oil & Gas activities</p> <p>Energy companies</p>	>0%	MSCI ESG Research

Conventional Oil & Gas	Conventional Oil & Gas activities All sectors except Utilities and Energy	>10%	LSEG
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ANIMAL WELFARE

Arvestar excludes companies involved in the production of (non-)medical products tested on animals. This exclusion does not apply under several strict conditions:

- 1) If the tests are performed in the context of regulatory obligations for animal testing.
- 2) If, for medical products, the tests are performed in the context of pharmaceutical tests by companies located in the USA, EU, Switzerland or Japan.
- 3) If the company demonstrates, according to MSCI ESG Research, that it meets one of the following standards:
 - Publication of statements or policies regarding the welfare of animals used in laboratory testing;
 - Publication of statements supporting research into or the use of alternatives to animal testing;
 - Accreditation by the Association of Assessment and Accreditation of Laboratory Animal Care (AAALAC);
 - Exemption from the National Institutes of Health (NIH) - an agency of the U.S. Department of Health and Human Services responsible for biomedical and health-related research.

CONTROVERSIAL WEAPONS

Arvestar does not invest in companies involved in the production of the whole weapon systems, or the components, of weapons considered as controversial. Arvestar does not invest either in companies involved indirectly through ownership ties to companies involved in such products.

The list of controversial weapons include:

- Cluster munitions, anti-personnel landmines and depleted uranium

Anti-personnel landmines, cluster munitions and depleted uranium are subject to prohibition of financing in several countries including Belgium (“Loi Mahoux”). The exclusion of these families of controversial weapons is regulatory in nature

- Biological or chemical weapons

Biological and chemical weapons are widely considered to be controversial weapons, because of the indiscriminate and disproportionate effect they have on civilian populations. They are banned following the Biological Weapons Convention of 1972 (which was the very first international treaty to ban the production of an entire type of weapons of mass destruction (this highlights how controversial these armaments are)) and the Chemical weapons convention of 1992, which have both been signed and ratified by almost all countries in the World.

- Blinding laser weapons, incendiary weapons, or weapons with non-detectable fragments.

NUCLEAR WEAPONS

Nuclear weapons have by design indiscriminate and disproportionate effect on populations (notably through the effects of radiations and radioactive pollution which subsists and causes harm long after the blast). Hence, Arvestar views nuclear weapons as controversial weapons.

Arvestar excludes companies involved in the production of nuclear weapons, exclusive and dual-use delivery platform capable to delivery such products, intended and dual-use components of such products, services provided for such products, or is involved indirectly through ownership ties to companies involved in such products or services.

CONVENTIONAL WEAPONS

Arvestar may invest in companies involved in conventional weapons related activities under strict conditions only:.

- Dual use principle
Arvestar wants to contribute to the European security, but does not want to invest directly in arms manufacturers. This is why Arvestar focuses on the principle of 'dual use'. This involves issuers that derive revenue from both civilian and military applications.
- No revenues derived from controversial weapons related activities
- Issuers' HQ must be in NATO countries
- No revenues derived from activities located in countries under international embargo or in the Arvestar exclusion list (see dedicated section previously)

Issuers involved in conventional weapons are:

- Companies involved in the production of conventional weapons,
- Companies involved indirectly through ownership ties to companies involved in such products.
- Companies that produce critical components for conventional weapon systems. Companies that produce components that are important to the weapon aspects of the weapon systems.

Specific entries:

- Propulsion, engine systems and motors for combat vehicles, aircraft and ships, including locomotive equipment and systems, such as gearboxes and power transmission systems;
- Propulsion, engine systems and motors for conventional rockets, torpedoes and other high-velocity projectiles;
- Turbines for combat submarines;
- Rotor blades;

- Aircraft structures, vehicle chassis, ship hulls, engine nacelles and other major physical or structural components that are part of the vehicle platform.

CIVILIAN FIREARMS

Arvestar does not invest in companies involved in the manufacture or retail sale of civilian firearms for civilian use or ammunition for such products, or involved indirectly through ownership relationships with companies involved in such products or services.

Investing in companies exposed to civilian firearms may be possible under the “Dual use principle” (see previous section)

GAMBLING

Gambling is considered as a controversial activity mostly because of addiction issues, and the associated risk of personal bankruptcy. Gambling addiction is recognized as a mental condition by the World Health Organization since 1982.

All issuers deriving 5% or more of their revenues from gambling-related business activities, including online or mobile gambling, and supporting activities, are excluded from the investment universe of the funds.

ADULT ENTERTAINMENT / PORNOGRAPHY

The adult entertainment / pornography industry is widely criticized firstly for the suspected adverse effects it has on society in general (regressive and stereotypical image of genders, dreaded impact on human psychology, etc.). It is also denounced for inherently attempting against human dignity, for its deplorable labour conditions and for contributing to spread communicable diseases.

There is a significant risk that the adult entertainment / pornography industry indirectly fails to comply with human rights principles, both because of labour practices (notably the risk of human exploitation) and because of its societal impact on consumers.

For these reasons, all issuers deriving 5% or more of their revenues from adult-entertainment / pornography-related activities are excluded from the investment universe of the funds. Adult-entertainment / pornography-related activities include the production, distribution or retail of adult entertainment products or services

TOBACCO

Tobacco is first and foremost a controversial topic because of the massive adverse effect its consumption has on human health. The premature deaths caused by tobacco consumption are a significant contributor to poverty and social difficulties for the affected families, particularly in low- and middle-income countries. Tobacco is also a significant drain on national health budgets. Moreover, tobacco farming impacts negatively the health of workers while the land used for tobacco cultivation could be used for some specific food farming which would help curbing food scarcity.

For these reasons, companies involved in the production of tobacco products are excluded. In addition, companies deriving more than 5% of their revenues from the distribution and retail of tobacco, or from the supply of essential products to the tobacco industry, are excluded.

Tobacco products include nicotine-containing products, i.e. traditional and alternative tobacco smoking products.

COAL

The climate change and the Paris Agreement requires a complete phasing-out of coal power plants, worldwide by 2050 the latest, and probably much earlier. Generating electricity from coal is particularly carbon intensive. Coal power generation is also a major cause of atmospheric pollution, as coal power-plants release mercury, lead, sulphur dioxide, nitrogen oxides, particulates, and various other heavy metals.

Issuers involved in the mining of (thermal and metallurgical) coal and the sale to external parties are excluded from the investment universe of the funds.

Coal-fueled power generation is only permitted for utilities companies, under strict conditions (Please refer to the following section).

Non-utilities companies involved in coal-fueled power generation are therefore excluded.

UTILITIES: POWER GENERATION FROM FOSSIL FUELS & NON-RENEWABLE ENERGY SOURCES

As stated previously in the section on coal, Arvestar fully welcomes and supports the energy transition and calls for the effective mitigation of climate change. To achieve the ambitious target of limiting global warming to +2°C above pre-industrial levels, and preferably to max. +1.5°C, the utilities sector must notably shift its electricity generation mix towards renewables, upgrade the transport and distribution grids, develop storage solutions to alleviate the intermittent and fluctuating energy supply from renewables, and overall increase the diversification of energy sources, away from fossil fuels. Hence, electric utility companies must align their business models and strategies with this climate-friendly model.

All issuers involved in the generation of power/heat from non-renewable energy sources belonging to the industry classification ICB 651010 and ICB 651020 according to LSEG are eligible if the following two requirements are met:

- The issuer shall have a Renewable Energy Ratio (RER) that is higher than the market average for their respective ICBs (651010 or 651020) and
- The issuer shall derive maximum 10% of its revenues from coal-fueled power generation

The Renewable Energy Ratio for a single issuer is calculated as follows: renewable energy production / total energy production. The issuer's RER should be higher than the average industry RER of the ICB the issuer belongs to (ICB 651010 or ICB 651020). The Renewable Energy Ratio is based on MSCI ESG Research. If the ICB classification is unavailable at LSEG, the GICS Sector classification will be used.

Issuers from sectors other than utilities and energy, can have maximum 10% of their total revenues derived from oil & gas power generation. The revenue exposure is based on MSCI ESG Research.

UNCONVENTIONAL OIL AND GAS: SHALE GAS, OIL SANDS AND SHALE OIL

Shale gas, oil sands and shale oil are considered controversial activities mostly because of their significant environmental impact. Shale gas is a water-intensive extraction process and generally requires the use of chemical additives which are injected into the ground. Oil sands extraction often leads to soil pollution..

Moreover, these activities are also very energy-intensive, and, by definition, they aim at extracting more fossil fuel from earth, while climate change mitigation require that humanity doesn't consume all extractable fossil fuels reserves. As such, shale gas, oil sands and shale oil are increasingly criticized for their direct and indirect contribution to greenhouse gases emissions and ultimately these activities are increasingly considered to be contravening international efforts to mitigate climate change.

Considering the above, all issuers involved in the exploration or extraction of unconventional oil and gas are excluded from investment universe of the funds The unconventional Oil & Gas revenue exposure is based on MSCI ESG Research.

CONVENTIONAL OIL AND GAS

Conventional oil and gas exploration, extraction, refining and transport are controversial activities due to their negative contribution to climate-change, while at the same time gas is sometimes presented as a complement to renewables for future electricity generation mix. Moreover, the oil and gas sector still plays a significant role in the economy as it is used extensively as raw material input in a large variety of industrial processes.

Nonetheless, in the light of its negative contribution to climate-change, all “energy” companies that derive revenues from oil and gas related activities are excluded.

“Energy” companies are defined as companies belonging to the ICB Sector code 601010 (integrated oil & gas, oil: crude producers, offshore drilling & other services, oil refining & marketing, oil equipment & services, pipelines). If the ICB classification is unavailable at LSEG, the GICS Sector classification will be used.

Companies from other sectors than “Energy” and “Utilities” are eligible if they do not derive more than 10% of their revenues from oil and gas related activities.

MSCI ESG Research considers the following activities as oil and gas related activities:

- the extraction and production of oil and gas.
- oil and gas pipelines and transportation. It includes revenues from mid-stream operations but excludes revenues from terminals and storage facilities.
- equipment and services for the exploration and production of oil and natural gas. It includes revenues from oil and gas exploration services, related equipment

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manufacturing, seismic surveys, engineering services and heavy construction related to oil and gas exploration activities.

- refining oil and processing natural gas.
- the trading of oil and gas and related products.

However, issuers involved in power transmission and gas distribution to end-users (small pipes) are out of scope.

5.3.2 Controversial companies

In addition to excluding the companies involved in the usual controversial activities, the strategies do not invest in the most controversial companies, i.e. those companies exposed to significant controversies as defined by external ESG research providers.

MSCI ESG Research scores ESG controversy based on a combination of Severity, Role and Status. A company is then associated to an overall Flag :

- A Red Flag
- An Orange Flag
- A Yellow Flag
- A Green Flag

Are excluded all the companies that :

- Have a red flag; or
- Have an orange flag and a MSCI ESG Rating below or equal to B

Another approach is the one of Sustainalytics. It ranks a company's (possible) controversies on a scale from 1 to 5 (5 being the worst). Investments in companies exposed to a level 5 controversy are excluded. For level 3 and 4 controversies, companies can be blacklisted in case of a negative assessment by the Responsible Investment Steering Group (RISG) of DPAM.

It is of utmost importance to understand what is behind the controversy and whether other weaknesses, in terms of corporate governance for example, may undermine the sustainable growth of the issuer.

5.4 Best-in-class Screening

Companies are evaluated per industry according to the peer group specific ESG scoring models of the data provider Sustainalytics. The model assesses a company's exposure, policies, programs, management systems and qualitative and quantitative performance. The best-in-class evaluation, which is applied on a sector level, includes metrics that assess both the current situation and historical efforts as well as forward looking metrics.

Scorecards can be used for companies which are poorly or not covered by ESG research providers. Companies with a smaller market capitalization for example, if they are covered, often lose a substantial amount of points since the scale of their organization doesn't require or enable

them to have a large set of internal policies or detailed public reporting on sustainability. In addition, companies who initiate a public listing are often not (yet) covered by the external research providers.

The scorecard will be built on a set of ESG KPIs that are assessed in conjunction with the financial criteria that are tailored to the company under review. The KPIs result from collaboration between ESG specialists, portfolio managers and research teams of the Investment manager (DPAM). The internal analysis (scorecard) can overrule Sustainalytics or MSCI, as internal analysis is considered more relevant.

The 20% worst scoring companies per sector are excluded from the investment universe, so the 80% best scoring companies are eligible.

The data provider used for the best-in-class screening is Sustainalytics.

5.5 Commitment to a minimum proportion of sustainable investments

The funds under the management of Arvestar commit themselves to/pursue a minimum proportion of sustainable investments in their portfolios.

These Sustainable investments are :

- green/impact bonds ('Green, Social & Sustainability bonds⁴); or
- companies that have a positive alignment (>10%) with EU-Taxonomy criteria for sustainable activities; or
- companies which contribute through their products and services to the 17 Sustainable Development Goals (SDGs) defined by the United Nations (UN) such as health products and services, education services, water conservation and supply solutions, energy efficiency solutions, digitization services, sustainable mobility services, etc.

The % sustainable investments for the Arvestar funds has been defined as the percentage of the issuers in portfolio (in weight) that have at least 10% revenue alignment with the Taxonomy, or a positive SDG score.

Arvestar follows the Argenta Group requirement concerning the minimum % sustainable investments of at least 20%, i.e. 20% of the issuers in portfolio (in weight) must have at least 10% revenue alignment with the Taxonomy, or a positive SDG score

To assess the funds % sustainable investments, the Investment Manager (DPAM) primary uses Trucost Taxonomy alignment data and complements these data with the ISS ESG solution in case Trucost data are either lacking or below the 10% threshold Taxonomy alignment.

5.6 Policies about other key ESG issues

ENVIRONMENTAL DAMAGES

⁴ Bonds that help finance ESG-related projects and are consequently designated as green, blue, social, sustainable, sustainability or transition bonds. They are eligible for investment only after a screening based on their compliance with the relevant normative framework (e.g. ICMA or EU GBS).

With regards to countries, states' level of environmental performance is reviewed based on various criteria pertaining to the preservation of natural resources, their environmental strategies, their actual environmental impacts, and the ratification of several international agreements.

Regarding corporations, their commitments to respect and preserve the environment are also assessed and they are considered in the calculation of their overall ESG score.

Environmental criteria are defined for each sector to review whether companies are addressing the environmental challenges that are relevant to their sector of activity.

Companies/issuers which are repeatedly involved in causing significant Environmental damages, and / or which are involved in causing severe Environmental damages, are excluded by means of the ESG controversy screening or even the norms-based screening.

The approach notably (but not exclusively) covers the following environmental aspects:

- Biodiversity (e.g. deforestation, palm oil);
- Water use;
- Pollution & waste (e.g. plastics).

BIODIVERSITY (PALM OIL AND DEFORESTATION)

Requirement on Palm oil:

Palm oil production is associated with a variety of environmental, social and governance issues. These are, namely, deforestation and related topics such as respect for the ecosystem, biodiversity and the rights of local communities, greenhouse gas emissions, the use of pesticides, working conditions and respect for the rights of indigenous peoples.

However, palm oil constitutes an important source of revenue for producer countries (including Malaysia and Indonesia, but also other emerging countries) and provides a livelihood to a significant part of their population.

Moreover, palm oil is also a source of nutrition for populations. It also has various other uses: food products, cleaning, pharmaceuticals, biodiesel, etc.

Finally, although palm oil is often criticized in the media, palm trees remain the most productive and efficient source of vegetable oil. Other potential sources would need far more land to produce the same amount of vegetable oil

Arvestar approach aims to be pragmatic. In other words, it considers the many positive contributions palm oil has made, and it favours best practices rather than a total exclusion of the activity to reduce its adverse effects. In that regard several sector-based initiatives exist, the main one being the "Roundtable for Sustainable Palm Oil – RSPO". The objective of the RSPO is to promote the production and use of palm oil that is sustainable for the planet and the people and communities, and that favours general welfare. The RSPO is the most important sector-based initiative promoting Sustainable Palm oil, and arguably it is also the only one having reached the critical size which is required to affectively change practices along the international Palm oil supply chains. Furthermore, the RSPO has recently upgraded its requirements, to better tackle deforestation issues, and its requirements are updated every five years. For these reasons,

Arvestar has adopted the criterion of RSPO Sustainable Palm oil certification, as a requirement for a producer of Palm oil to be eligible for the funds.

It is required from producers of Palm oil (i.e. Palm oil growers, issuers operating Palm oil plantations) that **at least 50% of their plantations be RSPO certified**, to be eligible for the investment universe of the funds.

In case a company/issuer operating palm oil plantations (i.e. a Palm oil producer) uses an alternative Sustainable Palm-Oil certification scheme, other than the RSPO, the Investment manager (DPAM) will verify whether the alternative certification could be used instead of RSPO (i.e. whether its requirements are demanding enough and grossly comparable to RSPO's), and if it is the case, the same threshold as for the RSPO certification will be applied.

Requirement on Deforestation:

Companies upstream or downstream in the Palm-Oil supply-chain (including Palm Oil producers, processors, distributors, traders, as well as owners of plantations and potentially food-processing companies sourcing from controversial companies) are also monitored by the Investment Manager (DPAM).

When it comes to the Investment manager's knowledge that a company is involved either in severe cases of deforestation, or in the conversion of peat-land, or in the conversion of High Carbon Stock (HCS) forests, or in the conversion of High Conservation Value (HCV) forests, it will be analysed and presented to DPAM Responsible Investment Steering Group (RISG), which will decide whether to exclude the company.

TAXATION

The Investment manager (DPAM) has developed an approach with a view to identify issuers at risk of involvement in aggressive tax optimization with a dual objective: (1) avoid or reduce risks of involvement in tax-related controversies or litigation among the investee companies, and (2) engage with issuers to promote responsible tax practices.

Issuers which might be at risk of involvement in aggressive tax-optimisation are identified thanks to selected indicators such as estimates measuring the degree (or depth) of the tax optimisation practices, the issuers' involvement in Tax-related controversies, the degree of transparency of the issuers' tax reporting, etc.

Responsible investors are confronted with a lack of reliable data about issuers' actual involvement in tax optimisation. By definition, a higher transparency would make tax optimisation more difficult, hence only few reliable data are available and therefore Arvestar must rely on estimates. For this reason, it is not possible to apply hard exclusion on issuers in a consistent and reliable manner. Consequently, Arvestar subscribes to the engagement approach implemented by the Investment manager, promoting best practices towards issuers.

OPPRESSIVE REGIMES -INTERNATIONAL SANCTIONS

Countries' adherence to Transparency and Democratic values is paramount to be eligible in the investment universe of the funds.

The Freedom House's Freedom in the World Index is used to ensure that non-democratic countries are excluded from the portfolios of the funds.

HUMAN RIGHTS AND LABOUR RIGHTS

All companies/issuers which are not fully compliant with human rights and labour rights are excluded from the investment universe of the funds : the rights relating to the prevention of child labour, the mitigation of discrimination and forced labour, the freedom of association and the right to collective bargaining, the right to a healthy and safe workplace and the labour rights pertaining to remuneration and working time.

This list directly originates in the general principles mentioned in the fundamental conventions of the International Labour Organisation and the directives of the OECD and is part and parcel of the normative screening (Global Standards) in place.

Companies/issuers which are repeatedly involved in human rights or labour rights violations, and / or which are involved in severe violations of human rights or labour rights, are excluded by mean of the ESG controversy screening or even the norms-based screening.

The approach notably (but not exclusively) covers the following Human Rights and Labour Rights aspects:

- Gender & diversity;
- Controversial involvement with governments from Oppressive regimes;
- Reported involvement with Death penalty.

CORRUPTION

The prevalence of corruption and the measures taken to mitigate it are taken into consideration in the sustainability analysis of states as well as of companies/issuers.

As mentioned in Section 4.2, the countries that score lower than 40 on the corruption index computed by the NGO Transparency International are excluded.

Regarding corporations, the measures taken to prevent corruption are taken into consideration for all sectors. Companies/issuers which are repeatedly involved into corruption or bribery cases, and / or which are involved into severe instances of corruption or bribery, will be excluded by mean of the ESG controversy screening or even the norms-based screening.

6 Investment Compliance

The Risk Management team of Arvestar receives the daily investment compliance reporting in the perspective of the oversight function over essential subcontracted activities. Besides this, an automatic control is in place to verify that all positions in the portfolios are compliant with the eligible investment universe defined in accordance with the ESG strategies presented in Section 5.

In case of a breach due to the change of the eligibility status of a security that was already part of the portfolio, the security should be sold within three months (in the best interest of the

shareholder) and the position cannot be enlarged. Issuers failing to meet the norms-based screening criteria (while already invested) should, to the extent possible, be sold within 5 business days.

The commitment to a minimum proportion of sustainable investing also makes part of the monitoring process.

7 Corporate engagement and shareholder action

Investments by the investment funds whose Arvestar is the management company and whose DPAM is the Investment manager) (the “Funds”) in shares traded on a regulated market established or operating in a Member State of the European Union (“Shares”) will be made in accordance with the corporate engagement policy described hereafter.

Arvestar believes that engagement is an important tool to drive impact. Intervention by investors can contribute to broader societal goals, such as those set out in the Paris climate agreement or in the United Nations’ Sustainable Development Goals.

Engagement initiatives helps to make better informed investment decisions, based on better understanding the sustainable corporate behavior of the issuer. Active dialogue with the issuers and other stakeholders improves the quality of fundamental research. Those that can deal with the sustainability challenges will be able to thrive financially and create sustainable added value in the long term.

Arvestar also believes that close collaboration with issuers encourages them to report on their efforts to incorporate ESG challenges and adopt best practices in the industry. Arvestar’s engagement policy integrates environmental, social and governance (ESG) factors and the long-term sustainability vision of the issuers whose assets are held by the Funds, considering all stakeholders of the issuers concerned (customers, suppliers, employees, environment, shareholders, etc.).

Considering the impact of investments to the society as a whole is paramount in building a portfolio which integrates ESG characteristics. This is based on the identification of investments that may be detrimental to the society. Exclusion filters, and in particular the review of controversial activities, play an important role in ensuring that portfolios of the Funds are not exposed to activities deemed unethical and/or irresponsible and/or unsustainable with reputational risks and material consequences resulting therefrom.

The integration of ESG issues into the investment process is more effective if it is based on an engaged dialogue with the relevant issuers. Active and sustained dialogue with the relevant issuers is a way to refine investment decisions based on fundamental research and to share best practices and innovative solutions to ESG challenges.

The engagement policy is a management tool used to better assess overall risks, support certain values and practices, evaluate opportunities and, in so doing, encourage the relevant issuers to become more sustainable.

Arvestar’s policy on this topic integrates DPAM’s engagement policy. This policy is available on DPAM’s website ([Sustainable Actor \(dpaminvestments.com\)](https://dpaminvestments.com)).

ARVESTAR

In addition to being a management tool, engagement 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. Adopting a voting policy and participating in general and extraordinary shareholders' meetings are therefore an integral part of the Arvestar's responsibilities.

The voting policy describes the values and principles of good governance supported by Arvestar for the Funds as investors, including the issue of environmental protection, social issues and governance in a global sense.

Arvestar's voting policy incorporates DPAM's voting policy (Arvestar having delegated the exercise of the voting rights into the Funds to DPAM in its capacity as Investment manager of the Funds). DPAM's voting policy (whose scope includes the Funds) describes the way DPAM exercises the voting rights attached to the shares of issuers held by the Funds. Arvestar refers to DPAM's voting policy, which is available on DPAM's website ([Sustainable Actor \(dpaminvestments.com\)](https://dpaminvestments.com)) for more information on this subject.

Each year, Arvestar will report information on how its engagement policy has been implemented on its website, including a general description of DPAM's voting behavior as Investment manager of the Funds and an explanation of the most important votes to assess the progress made and the objectives to be pursued. Arvestar will refer to the voting and engagement activity reports published annually by DPAM on its website.

8 Conflict of Interest policy

Arvestar has a dedicated and comprehensive Conflicts of Interests Policy. It entails a definition of conflicts of interests, maintenance of an up-to-date conflict of interests' cartography and register. An inventory of potential conflicts of interests has been drafted and the compliance department must report suspicions of market abuses to the FSMA (local regulators). These measures ensure potential conflicts of interests can be detected and avoided.

9 Derivatives

The funds may use derivative products for the sole purpose of currency exposure hedging (FX Forwards and FX Futures).

Hence, the funds do not invest derivatives as a source of return or for speculative reasons. In particular, the funds do not invest in derivatives on agricultural commodities. Forward contracts or futures were originally used to protect food producers from the risks relating to price swings, which are typical of agricultural commodities. These days, such derivatives can be used for other purposes and thereby have an adverse impact, leading to increased volatility and rising prices. Two major risks are associated with speculation on food: on one hand, rising prices occur to the detriment of poorer populations who struggle feeding themselves, while on the other hand profit maximization leads to land grabs.

