

ANNEX III

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name:

DPAM L Bonds Emerging Markets Sustainable

Legal entity identifier:

549300SSFJ1T43004173

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Sustainable investment objective

Sustainable investment objective

Yes

No

- It will make a minimum of **sustainable investments with an environmental objective:40%**
 - in economic activities that qualify as environmentally sustainable under the EU Taxonomy
 - in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- It will make a minimum of **sustainable investments with a social objective:40%**

- It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments
 - with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
 - with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
 - with a social objective
- It promotes E/S characteristics, but **will not make any sustainable investments**



Les indicateurs de durabilité permettent de mesurer la manière dont les objectifs de durabilité de ce produit financier sont atteints.

What is the sustainable investment objective of this financial product?

The objective of the Sub-fund is to offer investors exposure, through an actively managed portfolio, to debt securities issued or guaranteed by emerging market countries, including their public regional authorities, or certain international public bodies selected on the basis of sustainable development criteria.

The Sub-fund aims to invest in countries that are committed to respecting fundamental rights (human rights, labour rights, democratic rights, etc.), protecting their environmental capital and promoting the well-being of their present and future generations. Based on a rigorous selection of countries combined with a formal and systematic engagement policy and with a focus on recognised impact bonds (green bonds and equivalents), the Sub-fund aims to invest in the most committed or best performing countries in terms of sustainable development.

The objective of sustainable development is pursued via

- rigorous ESG screening, based on a proprietary sustainability model of states aligned with the Sustainable Development Goals;
- promoting best practices and best efforts by defining eligibility rules based on ESG ratings;
- formal and systematic engagement with issuers and
- investment in impact securities (green bonds and similar).

The Sub-fund has not designated a benchmark to achieve its sustainable investment objective within the meaning of Article 9 of Regulation (EU) 2019/2088.

● **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

The Sub-fund pursues a sustainable objective:

- by excluding countries that do not respect a minimum of democracy in line with the Manager's controversial activities policy;
- by investing a minimum of 40% of its assets in countries ranked in the top quartile and a maximum of 10% in countries ranked in the bottom quartile according to the proprietary country sustainability model, the Sub-fund invests in countries that demonstrate the greatest commitment to sustainable development on governance, environmental and social issues, as well as in those that show a willingness to make progress on these issues. In taking this approach, the Sub-fund promotes the best practices and efforts in sustainable development of countries;
- by engaging in a systematic dialogue with the issuers in which the portfolio is invested, i.e. a dialogue based primarily on the importance of sustainability at the heart of our proprietary country sustainability model, the strengths and areas of focus highlighted by the model, and the awareness of impact bonds (green bonds and equivalents); and
- by focusing on impact instruments such as green and sustainable emissions as described in the sustainable and responsible investment policy. The sustainable and responsible investment policy describes the sustainable approaches adopted (ESG integration, best-in-class, sustainability themes, selection of standards, etc.) that the Manager may apply to all asset classes. It aims to describe and explain the Manager's choices regarding investments with environmental and/or social characteristics and investments with sustainable objectives, in alignment with 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 referred to as the "SFDR Regulation"). It lists the Manager's commitments as a sustainable actor. Finally, it describes the Manager's philosophy and approach to sustainable and responsible investment including how the Manager identifies sustainability risks and ESG factors which are incorporated into its investment decision making process.

It therefore aims to:

- achieve a weighted average democratic score above the weighted average democratic score of the reference universe (consisting of emerging and developing countries as defined by the International Monetary Fund) and;
- achieve a greenhouse gas emission intensity of the investee countries that is lower than the greenhouse gas emission intensity of its reference universe (consisting of emerging and developing countries as defined by the International Monetary Fund) as defined by regulatory technical standards.

It should be noted that the Manager's Controversial Activities Policy is intended to describe and explain the Manager's choices in terms of exclusions and restrictions on investments in corporate or state activities or behaviour deemed unethical and/or irresponsible and/or unsustainable. It is available at https://res.cloudinary.com/degroof-petercam-asset-management/image/upload/v1614006839/DPAM_policy_Controversial_activities.pdf

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Manager ensures that the Sub-fund's sustainable investments do not materially undermine an environmentally or socially sustainable investment objective by:

- excluding issuers that do not meet a democratic minimum;
- by investing a minimum of 40% of its assets in countries ranked in the top quartile and a maximum of 10% in countries ranked in the bottom quartile according to the proprietary country sustainability model, the Sub-fund invests in countries that demonstrate the greatest commitment to sustainable development on governance, environmental and social issues, as well as in those that show a willingness to make progress on these issues.
- maintaining a systematic dialogue with all the countries involved.

● *How have the indicators for adverse impacts on sustainability factors been taken into account*

The Sub-fund takes into account the primary adverse (hereinafter "PAIs") environmental and social impacts listed in Table 1 of Annex I of the Delegated Regulation (EU) 2022/1288 which are applicable to investments in sovereign or supranational issuers.

The PAIs are intrinsically linked to the Manager's commitment to reduce the negative impact of the Sub-fund's investments by avoiding activities or behaviours that may significantly hinder sustainable and inclusive growth. This commitment is incorporated throughout the research and investment process from its inception.

The first PAI relates to environmental issues and focuses on the greenhouse gas emission intensity of the investee countries. The indicator is an integral component of the country sustainability model that the Manager developed for its sovereign bond strategies. Consequently, it is included in the country's sustainability score and can influence it positively or negatively depending on its level and development compared to other issuer countries.

The second PAI relates to social issues and focuses on issues of social violations. Our country sustainability model monitors a number of indicators on this issue, such as respect for civil liberties and political rights, respect for human rights and the level of violence within the country, commitment to key labour law conventions, the issue of equal opportunities and distribution of wealth, etc. These different indicators are included in the country's sustainability score and can influence it positively or negatively depending on its level and evolution compared to other emitting countries.

Further information on the integration of key negative impacts can be found in the Manager's Sustainable and Responsible Investments Policy available at www.dpamfunds.com.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

The principles defended by the above references are mainly related to the respect of human and labour rights. Our country sustainability model monitors a number of indicators on these issues, such as respect for civil liberties and political rights, respect for human rights and the level of violence within the country, commitment to key labour law conventions, the issue of equal opportunities, etc. These different indicators are included in the country's sustainability score and can influence it positively or negatively depending on its level and evolution compared to other emitting countries.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes

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The Manager's approach and processes are further described in its Sustainable and Responsible Investments Policy and in the TCFD report, which are available at www.dpamfunds.com.

Information on the main negative impacts on sustainability factors will be available in the annual report of DPAM L, the SICAV to which the Sub-fund belongs.

No



The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What investment strategy does this financial product follow?

The Sub-fund mainly invests in bonds, including bonds with low ratings, issued by governments (or related bodies) in the emerging markets and denominated in any currency. In the active management of the Sub-fund, the Manager selects securities with the potential for an advantageous return in relation to the risk incurred on the basis of criteria that are both financial and related to sustainable development (such as, for example, respect for the environment or socially equitable governance). The Sub-fund is actively managed. The Sub-fund may use derivatives to exploit or hedge against market fluctuations, or for efficient portfolio management.

● **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**

The criteria which the issuers must meet in order to be included in the investment universe are determined through independent external research and/or internal research at the Manager. These selection criteria are as follows:

- Exclusion filter based on respect for democratic minimums: Exclusion of countries that do not meet a minimum standard of democracy according to publicly available rankings by specialised institutions (such as Freedom House, i.e. countries classified as "not free", and that do not meet a minimum standard of democracy according to the Democracy Index published by the Economist Intelligence Unit, i.e. countries classified as "authoritarian").
- Analysis and rating of the country's sustainability profile using the proprietary model defined by the Manager through its country sustainability advisory board:

The sustainability review is characterised by the use of objective, measurable and comparable criteria that governments can use to influence policy.

The model is based on several indicators such as indicators on transparency and democratic values, environment, education and innovation and population, health care and wealth distribution, etc.

Based on the country sustainability model, countries are assessed against each other, resulting in a ranking.

More information about the country sustainability model (methodology, specific indicators, etc.) can be found at www.dpamfunds.com and in particular in the Manager's Sustainable and Responsible Investments Policy.

The quantitative screening based on the proprietary sustainability model is updated every 6 months with the assistance of the advisory board.

A new classification is then approved.

In accordance with the transition framework described in the Sustainable and Responsible Investments Policy, for countries moving from one quartile to another, a transition period of two months is allowed for management to comply with the rule of a minimum of 40% of its assets in countries classified in the first quartile and a maximum of 10% in countries classified in the last quartile.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

Good governance criteria are included in the investment decision making process through the criteria used in the country sustainability model. The model includes criteria on governance bodies, prevention of corruption, respect for political rights and civil liberties, etc.



Asset allocation describes the share of investments in specific assets.

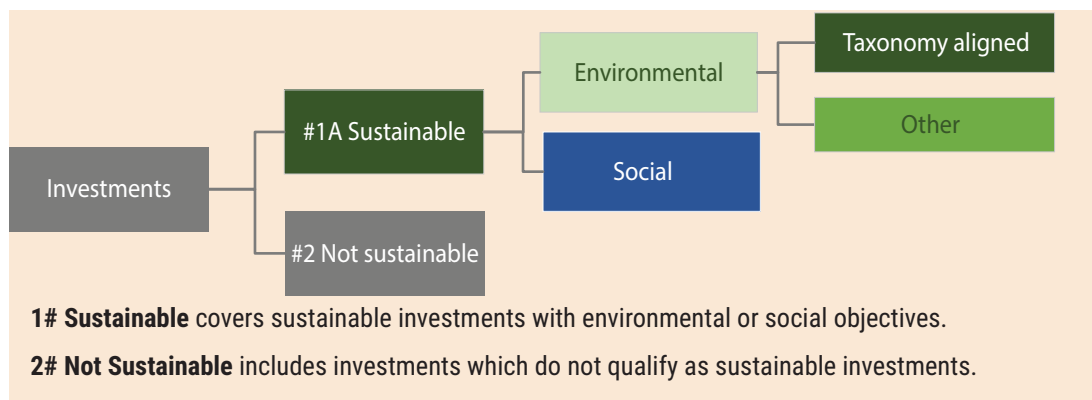
Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

What is the asset allocation and the minimum share of sustainable investments?

By applying the investment strategy described above, the Sub-fund invests a minimum of 80% of its assets to achieve its sustainable investment objective. These sustainable investments (in the table below referred to as "#1 Sustainable") have:

- i) Either an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy;
- ii) or a social objective.



● **How does the use of derivatives attain the sustainable investment objective?**

Derivative financial instruments used, where applicable, for the purpose of achieving the sub-fund's investment objectives will not be used for the purpose of promoting the environmental and/or social aspects of the sub-fund.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

To date, the EU Taxonomy does not provide a methodology for determining the alignment of sovereign bonds with the EU Taxonomy. These bonds are therefore not covered by the EU Taxonomy or its eligibility and technical selection criteria. In accordance with the Sub-fund's investment policy, the Sub-fund invests primarily in bonds and/or other debt securities issued (or guaranteed) by emerging countries (including their local governments and public (or similar) bodies) or by international public bodies and selected on the basis of sustainable development criteria. Further information on methodology and data resources is available in the information on this Sub-fund via www.dpamfunds.com (in particular in the sections "Methodologies" and "Data Sources and Data Processing").

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **What is the minimum share of investments in transitional and enabling activities**

The Sub-fund does not seek to invest in enabling and/or transitional activities.



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Based on the approach described above, the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 40%. The proprietary sustainability model is based on environmental, social and governmental aspects. In the environmental aspect, the proprietary model takes into account energy efficiency, climate change, biodiversity and country emissions. Investing in the highest ranked countries in this aspect therefore means that the Sub-fund has an environmental objective. The scores of the Environment component of the EM Manager country model make it possible to rank the member states in descending order. Countries in the bottom quartile of the ranking (rounding up the number of eligible countries) do not have an environmental target. Further information on methodology and data resources is available in the information on this Sub-fund via www.dpamfunds.com (in particular in the sections "Methodologies" and "Data Sources and Data Processing").



What is the minimum share of sustainable investments with a social objective?

Based on the below approach, the minimum share of socially sustainable investments is 40%. A European Taxonomy for social sustainability goals has yet to be developed. In the meantime, the Manager wishes to continue to make sustainable investments that contribute to the achievement of key social goals such as zero hunger, quality education and peace, justice and strong institutions. To this end, the Manager has adopted and defined a specific framework for identifying the social objectives of these sustainable investments and assessing their contribution to these objectives. The proprietary sustainability model is based on environmental, social and governmental aspects. In the social aspect, the proprietary model of sustainability of countries takes into account both current generations (wealth distribution, population, health care) and future generations (education and innovation). Investing in the highest ranked countries in this aspect therefore means that the Sub-fund has a social objective. Similarly, the scores for the Social component (i.e. present and future generations of the proprietary model) allow the member states to be ranked in descending order. Countries in the bottom quartile of the ranking do not have a social target. Further information on methodology and data resources is available in the information on this Sub-fund via www.dpamfunds.com (in particular in the sections "Methodologies" and "Data Sources and Data Processing").



What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

Binding ESG screenings carried out in accordance with the investment strategy described above are applied to the whole portfolio, excluding the:

- Liquid assets
- Derivative instruments
- Collective investment schemes

The Sub-fund may invest or hold these types of assets for the purpose of achieving investment objectives, portfolio diversification, liquidity management and risk hedging.

This remaining proportion will never exceed 30% of the portfolio.

Given the nature of these instruments, there are no minimum environmental or social guarantees.



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Not applicable.

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?***

Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.

Where can I find more product specific information online?



More product-specific information can be found on the website:

www.dpamfunds.com (Fund/sub-fund/share class/"Sustainability transparency" tab).

Sustainability indicators measure how the sustainable objectives of this financial product are attained.