

NACHHALTIGKEITSBEZOGENE OFFENLEGUNGSPFLICHTEN

This page contains the information in accordance with Article 10(1) of Regulation (EU) 2019/2088.

The sub-fund has a **sustainable investment objective** according to SFDR.

ZUSAMMENFASSUNG

Das Ziel des Teilfonds besteht darin, Anlegern durch ein aktiv verwaltetes Portfolio ein Engagement in Schuldtiteln zu bieten, die von Schwellenländern, einschließlich ihrer öffentlichen regionalen Behörden, oder bestimmten internationalen öffentlichen Gremien, die auf Grundlage von Kriterien für nachhaltige Entwicklung ausgewählt wurden, begeben oder garantiert werden.

Der Teilfonds strebt Investitionen in Ländern an, die sich für die Achtung der Grundrechte (Menschenrechte, Arbeitsrechte, demokratische Rechte usw.), den Schutz ihres Unternehmenskapitals und die Förderung des Wohlergehens der heutigen und künftigen Generationen einsetzen. Auf Grundlage einer strengen Länderauswahl in Kombination mit einer formellen und systematischen Richtlinie für aktives Engagement und einem Fokus auf anerkannte Impact-Anleihen (grüne Anleihen und vergleichbare Papiere) strebt der Teilfonds Investitionen in Länder an, die im Hinblick auf nachhaltige Entwicklung am engagiertesten sind oder am besten abschneiden.

Das Ziel nachhaltiger Entwicklung wird verfolgt durch:

- strenges ESG-Screening auf Grundlage eines unternehmenseigenen Nachhaltigkeitsmodells an Staaten, die sich an den Zielen für nachhaltige Entwicklung orientieren;
- die Förderung bewährter Praktiken und Anstrengungen mittels der Definition von Zulässigkeitsregeln auf Basis von ESG-Ratings;
- formales und systematisches Engagement mit Emittenten und
- Investments in Impact-Wertpapiere (grüne Anleihen und vergleichbare Papiere).

Der Teilfonds **hat keinen Referenzindex festgelegt**, um sein nachhaltiges Anlageziel gemäß Artikel 9 der Verordnung (EU) 2019/2088 zu erreichen.

Das Nachhaltigkeitsziel wird durch die verschiedenen Einschränkungen (**Methodiken**) erreicht:

- indem Länder ausgeschlossen werden, die nicht ein Mindestmaß an Demokratie im Sinne der Politik bei kontroversen Aktivitäten des Managers wahren;
- indem mindestens 40 % des Vermögens in Länder im obersten Quartil und maximal 10 % des Vermögens in Länder investiert wird, die nach dem unternehmenseigenen Nachhaltigkeitsmodell für Länder im untersten Quartil angesiedelt sind; der Teilfonds investiert in Länder, die das größte Engagement für nachhaltige Entwicklung in Bezug auf Governance-, ökologische und soziale Belange aufweisen, sowie in jene, die Bereitschaft zeigen, in Bezug auf diese Belange Fortschritte zu erzielen. Durch diesen Ansatz fördert der Teilfonds bewährte Verfahren und Bemühungen im Hinblick auf die nachhaltige Entwicklung von Ländern;
- indem ein systematischer Dialog mit den Emittenten, in die das Portfolio investiert, geführt wird, d. h. ein Dialog, der sich hauptsächlich auf die Bedeutung von Nachhaltigkeit als Kernelement unseres Nachhaltigkeitsmodells für Länder, die vom Modell hervorgehobenen Stärken und Fokusbereiche sowie das Bewusstsein für Impact-Anleihen (grüne Anleihen und vergleichbare Papiere) stützt; und
- indem der Schwerpunkt auf Impact-Instrumente (z. B. grüne und nachhaltige Wertpapiere) gemäß Beschreibung in den Richtlinien für nachhaltige und verantwortungsvolle Investments gelegt wird. Die Richtlinie für nachhaltige und verantwortungsvolle Investments beschreibt den Nachhaltigkeitsansatz (ESG-Integration, Best-in-Class-Auswahl, Nachhaltigkeitsthemen, Auswahl der Standards usw.), den der Manager auf alle Anlageklassen anwenden kann. Sie soll die Entscheidungen des Managers in Bezug auf Anlagen mit ökologischen und/oder sozialen Merkmalen sowie Anlagen mit nachhaltigen Zielen beschreiben und erläutern und steht im Einklang mit der Verordnung (EU) 2019/2088 des Europäischen Parlaments und des Rates vom 27. November 2019 über nachhaltigkeitsbezogene Offenlegungspflichten im Finanzdienstleistungssektor (nachfolgend als „Offenlegungsverordnung“ bezeichnet). Sie führt die Engagements des Managers als nachhaltiger Akteur auf. Zudem beschreibt sie die Philosophie und den Ansatz des Managers für nachhaltige und verantwortungsvolle Investments, einschließlich der Art und Weise, wie der Manager Nachhaltigkeitsrisiken und ESG-Faktoren ermittelt, die in seine Anlageentscheidungen einfließen.

Sie strebt daher Folgendes an:

- einen im Vergleich zum Referenzuniversum (das sich aus Schwellen- und Industrieländern gemäß der Definition des Internationalen Währungsfonds zusammensetzt) höheren gewichteten durchschnittlichen Demokratie-Score. Die Daten in Bezug auf diesen Punkt stammen von Freedom House, und
- eine im Vergleich zum Referenzuniversum (das sich aus Schwellen- und Industrieländern gemäß der Definition des Internationalen Währungsfonds zusammensetzt) niedrigere Treibhausgasemissionsintensität der Investitionsländer gemäß den aufsichtsrechtlichen technischen Standards. Die Daten in Bezug auf diesen Punkt stammen von Trucost.

Die Kriterien, die die Emittenten erfüllen müssen, um in das Anlageuniversum aufgenommen zu werden, werden durch unabhängiges externes Research und/oder internes Research aufseiten des Managers festgelegt. Die Auswahlkriterien finden sich nachfolgend:

- Ausschlussfilter basierend auf der Wahrung eines Mindestmaßes an Demokratie: Ausschluss von Ländern, die gemäß öffentlich verfügbaren Rankings spezialisierter Institutionen (z. B. Freedom House) oder gemäß dem von der Economist Intelligence Unit veröffentlichten Democracy Index keinen Mindeststandard im Hinblick auf die Demokratie erfüllen (d. h. Länder, die als „nicht frei“ gelten, bzw. Länder, die als „autoritär“ eingestuft werden).
- Analyse und Bewertung des Nachhaltigkeitsprofils des Landes anhand des proprietären Modells, das der Manager im Rahmen seines Beirats für die Nachhaltigkeit auf Länderebene definiert hat. Bei der Nachhaltigkeitsüberprüfung werden objektive, messbare und vergleichbare Kriterien geprüft, die Regierungen nutzen können, um die Politik zu beeinflussen. Das Modell beruht auf mehreren Indikatoren, z. B. Indikatoren für Transparenz und demokratische Werte, Umwelt, Bildung und Innovation und Bevölkerung, Gesundheit und Vermögensverteilung, usw.

Die Daten stammen aus vielfältigen, öffentlichen, bekannten und namhaften Quellen (z. B. Weltbank, OECD, Unesco, IAO usw.). Es können daher Beschränkungen in Bezug auf die Verfügbarkeit, Vergleichbarkeit und Qualität der Informationen zu diesen Themen bestehen. Die Daten aus diesen Quellen entsprechen nicht immer den aktuellsten Daten aus einem Land. Basierend auf dem Nachhaltigkeitsmodell für Länder werden die Länder miteinander verglichen, wodurch sich eine Rangliste ergibt. Weitere Informationen über das Nachhaltigkeitsmodell für Länder (Methodik, spezifische Indikatoren usw.) finden Sie in den [Richtlinien für nachhaltige und verantwortungsvolle Investments von DPAM](#).

Das quantitative Screening auf Grundlage des unternehmenseigenen Nachhaltigkeitsmodells wird alle sechs Monate mit Unterstützung des Beirats aktualisiert. Im Anschluss wird eine neue Einstufung beschlossen.

Im Einklang mit dem in den Richtlinien für nachhaltige und verantwortungsvolle Investments beschriebenen Rahmen für den Übergang wird für Länder, die von einem Quartil in ein anderes wechseln, ein Übergangszeitraum von zwei Monaten gewährt, in denen das Management Zeit hat, die Vorgabe einer Mindestanlage von 40 % des Vermögens in Ländern, die sich im ersten Quartil positionieren, und von maximal 10 % des Vermögens in Ländern, die im letzten Quartil angesiedelt sind, zu erfüllen.

Die Kriterien einer guten Unternehmensführung fließen mittels der im Nachhaltigkeitsmodell für Länder verwendeten Kriterien in die Anlageentscheidungen ein. Das Modell umfasst Kriterien für Regierungsorgane, die Verhinderung von Korruption, die Achtung politischer Rechte und bürgerlicher Freiheiten usw.

Unter Anwendung der oben beschriebenen Anlagestrategie investiert der Teilfonds mindestens 80 % seines Vermögens, um sein nachhaltiges Anlageziel zu erreichen. Diese nachhaltigen Anlagen weisen:

- entweder ein Umweltziel mit Investitionen in Wirtschaftstätigkeiten, die nach der EU-Taxonomie nicht als ökologisch nachhaltig einzustufen sind;
- oder ein soziales Ziel auf.

Was das **Monitoring des nachhaltigen Anlageziels** anbelangt, so erhält der Portfoliomanager jedes Halbjahr – nachdem die Filter im Hinblick auf ein Mindestmaß an demokratischen Werten angewandt wurden – das zulässige Universum seines Teilfonds. Den Portfoliomanagern ist es nicht gestattet, in nicht zulässige Länder anzulegen. Zudem führt die Risikoabteilung von DPAM als zweite Verteidigungslinie eine tägliche Prüfung der verschiedenen Fonds anhand spezifischer Indikatoren durch, um potenzielle Verstöße zu ermitteln.

Die **Sorgfaltspflicht** in Bezug auf die dem Teilfonds zugrunde liegenden Vermögenswerte bezüglich seiner Nachhaltigkeitsziele ist Teil der Methodik, diese Merkmale oder Ziele zu bewerten. Weitere Informationen finden Sie in den Richtlinien für nachhaltige und verantwortungsvolle Investments von DPAM.

DPAM wendet eine [Richtlinie für aktives Engagement](#) an, um seine eigenen Vermögenswerte zu schützen und externe Effekte der finanzierten Emittenten zu begrenzen.

NO SIGNIFICANT HARM TO THE 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:

- exclusion of issuers that do not meet minimum democratic requirements: countries considered "unfree" according to the NGO Freedom House and "authoritarian regimes" according to the Democracy Index published by the Economist Intelligence Unit are excluded from the universe eligible for investment.
- by investing a minimum of 40% of its assets in top quartile countries and a maximum of 10% in bottom quartile countries, according to the proprietary country sustainability model. The top 25% (calculated in number of countries) of countries form the first quartile. The bottom 25% of countries form the last quartile. When the model is updated, the Manager will comply with the investment rules (minimum 40% in the top quartile and maximum 10% in the bottom quartile) as soon as possible and never more than two months after the new classification takes effect;
- maintaining a systematic dialogue with all the countries involved.

The Sub-fund takes into account the principal 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 breaches. 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 principal adverse impacts can be found in the Manager's [Sustainable and Responsible Investment Policy](#).

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.

SUSTAINABLE INVESTMENT OBJECTIVE OF THE 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.

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. The Sub-fund does not invest in countries that do not respect a minimum of democratic requirements. To determine whether a country does not meet this minimum, the Manager applies a methodology that is mainly based on the classifications of the International NGO Freedom House ("not free") and The Economist Intelligence Unit ("authoritarian regime");
- 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. 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
- 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.

INVESTMENT STRATEGY

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).

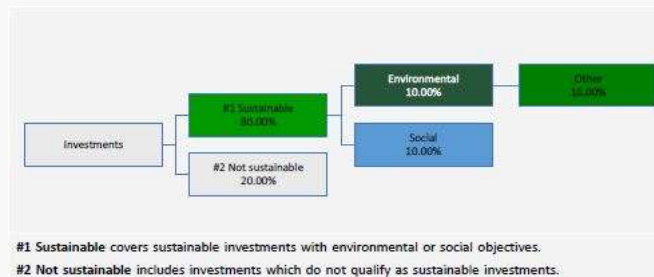
A more general description of the sub-fund's investment strategy can be found in the individual sub-fund factsheet in the SICAV's prospectus.

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.

PROPORTION OF 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 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.



The derivative financial instruments that may be employed will not be used for the purpose of achieving the sustainable investment objective.

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.

The financial product does not invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy

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

9_SOCIAL GOVIES 10%

Based on the below approach, **the minimum share of socially sustainable investments is 10%.**

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. By pursuing an objective of investing only in best-ranked countries (top 50% with scores rounded up), the sub-fund has a social objective that takes into account both current generations (wealth distribution, population, healthcare) and future generations (education and innovation). 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.

9_PROPORTION NOT SUSTAINABLE

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 20% of the portfolio.

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

MONITORING OF SUSTAINABLE INVESTMENT OBJECTIVE

On the trading platform the manager can assess the impact of an investment on the different indicators and characteristics, prior to investing.

The performance of all the different social and environmental characteristics and the sustainable objective of the sub-fund is provided yearly in the Sub-fund's reporting.

Through the electronic trading platform, all portfolio managers have access to the performance of their sub-funds on the sustainability indicators, which serves two purposes. First, the portfolio manager can calculate the impact of a trade on the different indicators or sustainable objective. Second, the portfolio manager can determine the performance of its sub-fund on the different indicators in real time.

Each semester a blacklist is generated for the sub-fund. This blacklist encompasses countries in which the sub-fund cannot invest due to not respecting international treaties or being non-democratic. This signifies that any issuer presented on the blacklist cannot be invested in. In terms of control, the portfolio manager is not able to invest in names of its sub-fund's blacklist. Moreover, as a second line of defense, DPAM's risk department runs a daily check on the different funds to identify potential breaches with specific indicators.

METHODOLOGIES

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 in the Manager's [Sustainable and Responsible Investment 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.

DATA SOURCES AND PROCESSING

The data from the different data sources described below are all fed in the electronic trading platform for the first line of control. Moreover, all data is also used by the Risk department to spot potential breaches. Finally, each quarter the data is also provided to our reporting teams for reporting purposes, albeit quarterly or yearly.

In order to ensure data quality two key checks are conducted. A first continuous quantitative check takes place when importing the data from the different data sources. Second, an adhoc qualitative check is carried out to ensure the coherence between the data used in our internal control systems and the original data from the different data providers.

Below we describe the main different data sources used and the portion of estimated data for each, used to represent the environmental and social characteristics or the sustainable investments, in case relevant, the sub-fund promotes and/or invests in.

- **Sustainalytics:** Global Standards compliance (0% estimated), the ESG profile (0% estimated), and major controversies (0% estimated)
- **MSCI ESG Research:** Global Standards compliance (0% estimated), Exclusion of companies involved in controversial activities (0% estimated)
- **ISS Ethix:** Exclusion of companies involved in controversial activities (0% estimated)
- **Trucost:** GHG intensity calculation (69% estimated), taxonomy alignment (0% estimated)
- **Bloomberg:** Green bond classification (0% estimated)
- **Public data sources**, such as SBTi, Freedom House's Freedom in the World Index, or the Economist Intelligence Unit Democracy Index (0% estimated)

By aiming for a weighted democracy score of the portfolio that is higher than that of the reference universe. The democracy score is based on the Freedom House score and is the aggregate of the "civil liberties" and "political rights" scores. It ranges from 0 to 100.

- The democracy score is based on the Freedom House score and is the aggregate of the "civil liberties" and "political rights" scores. It ranges from 0 to 100.

By investing a minimum of 40% of its assets in countries ranked in the first quartile and a maximum of 10% in countries ranked in the last quartile, subject to a transition period defined in the SRI policy

- DPAM's sustainability country model focuses on the Environmental, Social & Governance challenges at the level of a country, which different sustainable dimensions. Over the last years, DPAM witnessed several disruptions and even contradictions regarding governance, social concern or environmental issues. This is why sustainability analysis at country level has been essential in an integrated model. For more information, please refer to [DPAM's country sustainability report](#). The country model is reviewed every six months with the support and expertise from the external experts within the Fixed Income Sustainability Advisory Board (FISAB). The data used for the country model is all publicly available and the exact ranking is publicly published each semester.

Exclusion of countries that do not meet minimum democratic requirements: the sub-fund does not invest in countries that are considered "not free" and "authoritarian" according to the International NGO Freedom House and The Economist Intelligence Unit.

- Exclusion of countries that both do not meet minimum democratic requirements according to a methodology which is mainly based on the classifications of the International NGO Freedom House (i.e. countries classified as 'non-free'), and the Economist Intelligence Unit (i.e. countries classified as 'authoritarian').

The sub-fund aims to have a smaller carbon footprint than its reference universe - measured by comparing the metric tCO2/GDP billion

- For GHG emissions DPAM uses data extracted from S&P Trucost that itself is derived from country reporting and modeled in case of a lack of data.

LIMITATIONS TO METHODOLOGIES AND DATA

The goal of DPAM's methodology is to reflect reality as accurate as possible, for its investments to properly promote environmental and social characteristics and sustainable objectives to have an impact on the real-world economy and beyond. Working with data providers may always lead to inaccuracies, which DPAM tries to remedy through different means. Below you will find an overview of the different methodologies with additional steps taken by DPAM to manage the limitations proper to its methodologies and data sources.

An overall comment pertains to the active and research driven investor role of DPAM. Engaging or undertaking a dialogue with companies remains the best possible method to ensure the accuracy of the analyses of data providers, its own research in the form of -for example- scorecards, or the interpretation of raw data extracted from company reporting. It is also a way to convey its main expectations as sustainable investor. Next to engaging, we rely on different external data sources, such as CDP, World Benchmarking Alliance... or specialized broker research. These sources can also be used as input to carry out coherence checks with data derived from its data providers.

DUE DILIGENCE

The due diligence of underlying assets of the sub-fund on environmental and social characteristics or the sustainable objectives, are inherent to the methodology to promote these characteristics or objectives. These include, among other elements mentioned in the Methodologies section: the normative screenings, the controversial activities screening, and the controversies screening (negative screenings).

ENGAGEMENT POLICIES

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 policy](#).

In this policy, DPAM explains how it implements its two main engagement objectives namely:

- Engaging for improving the negative externalities of financed issuers
- Engaging for defending values and convictions on E, S and G factors.

The whole process of engagement, including the escalation process, is described in the engagement policy. This policy can have implications for all portfolios managed by DPAM and the scope of the issuers with whom DPAM engages is defined in the policy, in particular by the themes identified as priorities. The issuers are selected because they either have been identified by the controversy review by the Responsible Investment Steering Group or they are in 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.

The bond holders do not benefit from the same equity holders' position or legal rights as they do not have same voting rights. This is the reason why engaging with the issuers is particularly important for DPAM's fixed income team. First, as sustainability risks and opportunities are integrated at inception of the research process, the ESG profile of the issuer is taken into account by DPAM's credit analysts and fixed income portfolio managers. Second, all the engaged dialogues to get 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 bond holders.

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

DPAM adopted a formal and systematic [engagement policy](#) with the countries since 2022. Since then, it has leveraged on experience, knowledge and sharing cooperation to adopt the latest engagement program.

The bond holders do not benefit from the same equity holders' position or legal rights as they do not have same voting rights. This is the reason why engaging with the issuers is particularly important for DPAM's fixed income team. The sustainability risks and opportunities are integrated at inception of the research process, the ESG profile of the issuer is taken into account by fixed income portfolio managers.

Country engagement is based on a two-step approach:

1. Creation a Country Sustainability Scorecard (CSS), outlining the sustainability score of the country versus its peers regarding governance, environmental and social dimensions.
The CSS is used to contact the different issuers (national treasury, debt management office or equivalent) to foster a dialogue about their strengths and weaknesses
2. Awareness increase regarding use of proceeds bonds to highlight and exchange how specific use of proceeds bonds could improve some sustainability areas.