



# Principal Adverse Impact Statement 2023

## Section I : Financial Market Participant

## Section II : Financial Adviser

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# Section I : Statement on principal adverse impacts of investment decisions on sustainability factors as Financial Market Participant

## 1. Summary

Bank Degroof Petercam Belgium SA/NV (hereinafter “BDPB”), LEI: 549300NBLHT5Z7ZV1241, considers principal adverse impacts of its investment decisions on sustainability factors (“PAI”). This statement is the entity-level statement<sup>1</sup> on principal adverse impacts on sustainability factors of Bank Degroof Petercam Belgium SA/NV according to article 4 of the Sustainable Finance Disclosure Regulation (here after “SFDR”)<sup>2</sup> and the Delegated Regulation SFDR<sup>3</sup>.

This report covers the reference period from 1 January 2023 to 31 December 2023 and incorporates the reporting of quantitative information for that reference period.

BDPB considers principal adverse impact on entity level as part of its global sustainable investment approach. This is done by measuring and -to the best extend possible- monitoring the aggregated negative impact on sustainability factors of our investment decisions regarding our discretionary portfolio management mandates and the in-scope funds to assess principal adverse impacts on entity level. This means concretely that BDPB considers the mandatory principal adverse impact indicators and two voluntary indicators, defined by SFDR but subject to data availability and quality.

In line with the first reporting done in 2023 (reporting year 2022), data quality and availability were a specific attention point regarding the calculation of certain PAI and additionally created difficulties to properly monitor PAI in this regard. BDPB has defined nevertheless a setup for all PAI but depending on the above this might be a limited and indirect setup for some PAI and more extended framework for other specific PAI. However, since 2022, significant efforts have also been made to achieve management and seamless integration of non-financial data into the core systems of our operations. In this regard, it should be noted that our Asset Manager, DPAM, has invested in a solution that can add up to more than 500 non-financial data points to an issuer. During 2024, BDPB will use this solution to achieve better management and understanding of non-financial information (including adverse effects). In this way, we will take a clear step forward in terms of systems. Together with ever better developing transparency (for example based on the implementation of CSRD<sup>4</sup>), BDPB will be able to manage those adverse effects in a more granular and consistent way.

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1 This document only relates to the entity itself and is not on a consolidated basis nor regarding the other entities of the Group DP.

2 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.

3 Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

4 CSRD (Corporate Sustainability Reporting Directive): European Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting that establishes new standards and obligations for non-financial reporting for major European companies.



**Section I** of the document contains the PAI statement of BDPB as Financial Market Participant (hereinafter “FMP”). It therefore applies consistently to all discretionary managed portfolios qualifying as financial products as per Regulation (EU) 2019/2088, for which BDPB acts as a portfolio manager. From an investment service perspective, it does apply only to discretionary portfolio management mandates.

Moreover, for this PAI report as FMP, BDPB has integrated the PAI figures and relevant information for the patrimonial funds whereby Degroof Petercam Asset Services, the management company of the fund, has delegated the management of the different sub-funds to BDPB. This includes the funds DP Global Strategy, DP Patrimonial and Select Global (hereinafter all together “Patrimonial Funds”).

The figures and tables mentioned in this document regarding Section I are thus only based on our discretionary portfolio management and the Patrimonial Funds.

In this regard, BDPB wants to mention that for this section it does not consider adverse impacts of its investment decisions on sustainability factors for derivatives as no established accounting methodologies are available for these financial instruments.

This PAI report includes the figures relating to third-party funds used in our discretionary managed portfolios.

BDPB, as a Financial Adviser (hereinafter “FA”), also considers PAI into its investment advice services (as defined under regulation 2019/2088) and this is covered by a separate statement at the end of this document (**Section II**).

This statement provides details on the different principle adverse indicators and maps policies to identify and prioritize principal adverse impacts on sustainability factors both for its discretionary portfolio management as for the Patrimonial Funds that are both governed by the same principles as described below. As both are SFDR products benefiting from the same internal sustainability framework within BDPB the following chapters and content are applicable and valid to our discretionary portfolio management and the delegated management of the patrimonial sub-funds. Unless deemed necessary for transparency reasons, no specific split is made in the following section.

BDPB’s Global Sustainable Investment Policy (hereinafter “GSIP”) which contain the Extra-Financial Investment Process and Controversial Activities Policy are used to identify and prioritize principle adverse impacts. BDPB focuses on active engagement, represented in its Funds Engagement Policy and by doing so aims to mitigate potential adverse impacts of its investments. The different policies and subsequent approaches of BDPB are rooted in International Standards.

## 2. Description of the principle adverse sustainability impacts

The various BDPB policies describe the extent to which Principle Adverse Sustainability Impacts (PAIs) need to be taken into consideration in a structural manner for its discretionary portfolio management as well as for Patrimonial sub-Funds.

The main focus in this regard is done by the Global Sustainable Investment Policy (GSIP) which incorporates the Extra-Financial Investment Process of BDPB (“EFIP”). Various measures in other policies also aim to limit our negative impact on these indicators. These other policies are:

- the Controversial Activities Policy (CAP - exclusion policy) ;
- the Funds Engagement Policy (FEP).

The PAIs that are considered and the way they are (or can be) considered depend on the type of financial product. The table below exhibits the mandatory PAIs for both corporate issuers and national and supranational issuers (hereinafter “sovereigns”), as well as the additional PAIs for environmental and social matters. The voluntary indicators were selected after a careful consideration of the major materiality risks across BDPB’s investments that were not yet covered by other indicators on principal adverse impacts on sustainability factors.

These tables include the different indicators, a short description of the metric, the impact of the reporting year, the impact of the previous reporting year and an explanation with also an overview of any consecutive steps taken or to be taken. For an overview of the policies in which these metrics are taken into consideration and their main data source, please check the tables at pages 7 to 15.

As Patrimonial sub-Funds can be part of the portfolios managed under discretionary portfolio management, it is important to mention that **this report will contain a “double-counting” risk**<sup>5</sup> Nevertheless, and in line with the principles of SFDR and regulatory guidance, BDPB has not excluded this double counting impact from the below figures as we consider them part of two separate investment decisions done by different departments and teams of the entity, namely one within the funds and one by the portfolio manager.

**For the purposes of the calculation of the impact in table 1, 2, 3, 4 and 5, BDPB excluded, derivatives, and cash from the scope.**

For the column of “actions taken, and actions planned, and targets set for the next reference period”, describes the current state of affairs and the actions that BDPB intends to conduct over the next 12 months to manage or even limit the PAI figures as mentioned below. The recurrent update and finetuning of our sustainability framework (policies, procedures and engagement outcome) will also be a step in this regard.

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<sup>5</sup> A double counting risk means that the underlying positions of the funds, and the negative impacts generated in this sense, are also counted directly for the PAI calculation in discretionary portfolio management meaning that a fund position (company’s X impact) is twice used in the same PAI figure.

Table 1: Indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact (2023)	Impact (2022)	Explanation	Action taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions (GHG)	1. GHG emissions	Scope 1 GHG emissions	341 125,29 tons	327 713 tons	<p>Reducing GHG emissions is a relatively complicated process at the moment and depends on a multitude of factors (data coverage, energy mix of countries, conversion factors, etc.).</p> <p>Scope 3 GHG emissions have increased significantly due to the inclusion of downstream scope 3 emissions data. It should also be noted that a large proportion of scope 3 emissions come from modelled data, which is more subject to fluctuations.</p> <p>BDPB is therefore unable to comment properly on this figure and the evolution this year.</p>	<p>Through its CAP- Exclusion policy, BDPB excludes certain companies from investment.</p> <p>As part of the basic and extended normative screening, companies in breach with the Global Standards (UN Global Compact) are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies.</p> <p>As part of its basic negative screening, BDPB excludes companies that derive a certain portion<sup>6</sup> of revenue from thermal coal extraction. This screening also excludes companies that derive a certain portion of coal- based power generation<sup>7</sup>, or unconventional oil &amp; gas production<sup>8</sup>.</p>
		Scope 2 GHG emissions	105 162,08 tons	101 730 tons		
	Scope 3 GHG emissions <sup>9</sup>	2 610 539,54 tons	859 887 tons			
	Total GHG emissions	3 463 809,88 tons	2 860 402 tons			
	2. Carbon footprint	Carbon footprint	405,38 tons per million of AUM	396 tons per million of AUM	<p>Reducing the carbon footprint is a relatively complicated process at the moment and depends on a multitude of factors (data coverage, country energy mixes, conversion factors, etc.).</p> <p>Scope 3 GHG emissions have increased significantly due to the inclusion of downstream scope 3 emissions data. It should also be noted that a large proportion of scope 3 emissions come from modelled data, which is more subject to fluctuations.</p> <p>Changes in assets under management also play a role, making comparison even more difficult.</p> <p>BDPB is therefore unable to comment properly on this figure and the evolution this year.</p>	<p>As part of its extensive negative screening (activities), BDPB also has set exclusions regarding the most “sustainable strategies” for conventional oil &amp; gas exploration, extraction, refining and transport. It also excludes the generation of power from non-renewable energy sources or providing dedicated equipment or services. The exclusion thresholds of the thermal coal extraction, and unconventional oil &amp; gas production are more stringent than with the basic negative screening. All thresholds for exclusion are depicted in the Exclusion policy.</p> <p>Next to the focus on activities, the extensive negative screening (behaviour) excludes companies with the most severe controversial behaviour. This covers a company’s operational aspects such as emissions, as well as the environmental impact of its products and services.</p> <p>Through its Fund engagement policy, BDPB will challenge third-party funds regarding positions they hold that are not aligned with the principles mentioned above.</p>

6 Exclusion threshold for all portfolios on revenue exposure for 2023 was at 10%, above the threshold is excluded. Stricter rules apply for portfolios with strong sustainable preferences.

7 Exclusion threshold for all portfolios on revenue exposure for 2023 was at 30%, above the threshold is excluded. Stricter rules apply for portfolios with strong sustainable preferences.

8 Exclusion threshold for all portfolios on revenue exposure for 2023 was at 20%, above the threshold is excluded. Stricter rules apply for portfolios with strong sustainable preferences.

9 These emissions do not include the downstream scope 3 emissions yet, which will be remedied during the next iteration of this report.



	3. GHG intensity of investee companies	GHG intensity of investee companies	825,94 tons per million in revenues (from underlying companies)	754,72 tons per million in revenues (from underlying companies)	<p>Changes in the revenues of the underlying companies play an important role in calculating this PAI. This makes comparison even more difficult this year.</p> <p>Scope 3 GHG emissions have increased significantly due to the inclusion of downstream scope 3 emissions data. It should also be noted that a large proportion of scope 3 emissions come from modelled data, which is more subject to fluctuations.</p> <p>BDPB is therefore unable to comment properly on this figure and the evolution this year.</p>	Moreover, through the funds managed by DPAM, a signatory of the Net Zero Asset Management (NZAM) initiative, combined with SBTi <sup>10</sup> targets, BDPB will benefit indirectly from this element to manage negative impacts.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	3%	2%	<p>No significant change.</p> <p>We believe this is based on our exclusion policy, whereby we have been able to keep exposure to companies active in the fossil fuel sector to a restricted level.</p>	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	<p>Consumption : 30%</p> <p>Production : 5%</p>	<p>Consumption : 28%</p> <p>Production : 4%</p>	<p>No significant change.</p> <p>We believe this is based on our exclusion policy, through which we have been able to keep the level of exposure to non-renewable energy consumption and production at a similar level to the previous year.</p>	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector <sup>11</sup>	<p>Agriculture, forestry and fishing: 0,00</p> <p>Construction: 0,05</p> <p>Electricity, gas steam and air conditioning supply: 0,86</p> <p>Manufacturing: 0,29</p>	<p>Agriculture, forestry and fishing: 0,10</p> <p>Construction: 0,11</p> <p>Electricity, gas steam and air conditioning supply: 1,54</p> <p>Manufacturing: 0,78</p>	<p>With regard to the sixth indicator, it is important to underline that there is currently very limited data available from the companies in which we invest.</p> <p>In addition, this PAI requires the use of an income denominator that is influenced by market movements over the course of 2023.</p> <p>It is therefore too early to talk about real management of this indicator, where</p>	<p>Through its Fund engagement policy, BDPB will challenge third-party funds regarding positions they hold that are not aligned with the principles mentioned above.</p> <p>Moreover, through the funds managed by DPAM, a signatory of the Net Zero Asset Management (NZAM) initiative, combined with SBTi targets, BDPB will benefit indirectly from this element to manage negative impacts.</p> <p>This element will also help BDPB realise its own Net</p>

10 The SBTi was launched in 2015 through a partnership between the CDP, the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF), concurrently with the signing of the Paris Agreements. SBTi encourages companies to set greenhouse gas emission reduction targets based on scientific data to effectively combat climate change.

11 The mentioned figure -for now- does not incorporate calculations with regards to underlying funds (both DP Group Funds as third-party funds)

			<p>Mining and quarrying: 0,22</p> <p>Real estate activities: 0,24</p> <p>Transportation and storage: 1,85</p> <p>Water supply: sewerage, waste management and remediation activities: 0,22</p> <p>Wholesale and retail trade; repair of motor vehicles and motorcycles: 0,03</p>	<p>Mining and quarrying: 1,68</p> <p>Real estate activities: 0,43</p> <p>Transportation and storage: 3,83</p> <p>Water supply: sewerage, waste management and remediation activities: 0,45</p> <p>Wholesale and retail trade; repair of motor vehicles and motorcycles: 0,09</p>	<p>actions are traced and impacts can be interpreted without ambiguity. On the basis of greater transparency on the part of companies (including through the CSRD), we will be able to take more targeted initiatives in this area in the near future, if necessary.</p>	<p>Zero Commitment. Indeed, BDPB prepared in 2023 and finalized early 2024 its own similar commitment with the SBTi. BDPB now has 2 years to have its targets validated, and moreover BDPB has expressed its ambition by 2040, to only execute investments in companies that are SBTi aligned and this for both discretionary portfolio management and the patrimonial funds.</p> <p>In its GSIP, BDPB emphasis how environmental matters including GHG emissions, carbon footprint and energy consumption are an important part of it's ESG integration due diligence. It includes material figures around GHG emissions, tons of Co2 and energy consumption as part of its positive screening, ultimately favoring the best performers.</p> <p>The PAI 1. GHG emissions and PAI 2. Carbon Footprint are part of our prioritized PAI. Therefore, BDPB will closely monitor the evolution of these PAI in order to reduce the negative impact consequently. The commitment to SBTi underlines this priority. The advantage of taking SBTi alignment into account is that this also uses what is known as 'Forward-looking' analysis.</p>
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	7,63%	8%	<p>No significant change.</p> <p>About this PAI, it is important to underline that there is currently very limited data available from the companies in which we invest.</p> <p>It is therefore too early to talk about real management of this indicator, where actions are traced and impacts can be interpreted without ambiguity. On the basis of greater transparency on the part of companies (including through the CSRD), we will be able to take more targeted initiatives in this area in the near future, if necessary.</p>	<p>The actions taken in this regard for 2022 were done on an indirect approach. Through its CAP-Exclusion policy, BDPB excludes certain companies from investment.</p> <p>As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies.</p> <p>Additionally, BDPB uses as a starting point to monitor this PAI for 2023 already some exclusions based on connected activities with an indirect consequence on this PAI.</p> <ul style="list-style-type: none"> <li>As part of its basic negative screening, BDPB excludes 13 companies with certain revenues derived from coal-based power generation, or unconventional oil &amp; gas production.</li> <li>As part of its extensive negative screening (activities), BDPB has also set exclusions for conventional oil &amp; gas exploration, extraction, refining and transport. It also excludes companies</li> </ul>



						<p>in the palm oil value chain that don't adhere to proper certifications. The exclusion thresholds of the thermal coal extraction, and unconventional oil &amp; gas production are more stringent than with the basic negative screening. All thresholds for exclusion are depicted in the Exclusion policy.</p> <p>Next to the focus on activities, the extensive negative screening (behaviour) excludes companies with the most severe controversial behaviour. This covers a company's operational aspects such as causing severe biodiversity loss, as well as the environmental impact of its products and services.</p> <ul style="list-style-type: none"> <li>As part of its journey (ESG integration project), BDPB will set further concrete steps ahead in the coming years in line with international frameworks which are currently developing as well.</li> </ul> <p>Also regarding this PAI, BDPB indirectly benefits from the early commitment work DPAM has taken regarding biodiversity (Taskforce of nature Related Financial Disclosures of TNFD).</p>
Water	8. Emissions to water	Tones of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	4,45 tons per million AUM	0,08 tons per million AUM	<p>The development of this PAI is assumed to be influenced by the use of an income denominator that is impacted by market movements during 2023.</p> <p>Given all the information gathered and the extent of data coverage, it is not possible to comment on the figures at this stage.</p> <p>For example, only 36/12,000 ISIN codes (i.e. 0.3%) are available from our data-miner.</p>	<p>The actions taken in this regard for 2023 were done on an indirect approach.</p> <p>Through its CAP-Exclusion policy, BDPB excludes certain companies from investment.</p> <p>As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies.</p> <p>Additionally, BDPB uses as a starting point to monitor this PAI for 2023 already some exclusions based on connected activities with an indirect consequence on this PAI:</p> <ul style="list-style-type: none"> <li>As part of its basic negative screening, it excludes companies with certain revenues derived from unconventional oil &amp; gas production as they might have a negative impact on water contamination.</li> <li>As part of its extensive negative screening (activities), BDPB has set more stringent exclusion thresholds for unconventional oil &amp; gas production. All thresholds for exclusion are</li> </ul>

						<p>depicted in the Exclusion policy.</p> <p>Next to the focus on activities, the extensive negative screening (behaviour) excludes companies with the most severe controversial behaviour. This covers a company's operational aspects such as causing severe water pollution loss, as well as the environmental impact of its products and services.</p> <p>As part of its journey, BDPB will set further concrete steps ahead in the coming years in line with international insights that continue to develop in full force. As the challenges around water and biodiversity are closely linked, it is clear that here too, DPAM's above-mentioned TNFD commitment will support BDPB to realise its ambitions.</p>
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	24,47 ton per million AUM	22,10 ton per million AUM	<p>No significant change.</p> <p>Changes in assets under management played an important role, making comparisons even more difficult.</p> <p>BDPB is therefore currently unable to comment properly on these figures and on this year's performance.</p>	<p>The actions taken in this regard for 2023 were done on an indirect approach.</p> <p>Through its CAP-Exclusion policy, BDPB excludes certain companies from investment.</p> <p>As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- supporting a precautionary approach to environmental challenges and encouraging the development and diffusion of environmentally friendly technologies.</p> <p>Additionally, BDPB uses as a starting point to monitor this PAI for 2023 already some exclusions based on connected activities with an indirect consequence on this PAI:</p> <ul style="list-style-type: none"> <li>As part of its basic negative screening, it excludes companies with revenues derived from thermal coal extraction as this activity might create hazardous waste.</li> </ul> <p>The exclusion thresholds of the thermal coal extraction are more stringent than with the basic negative screening. All thresholds for exclusion are depicted in the CAP-Exclusion policy.</p> <p>For 2023, BDPB did not exclude nuclear energy activities but will follow up on this topic.</p>

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0,13 %	0,16%	No significant change. We believe this is based on our exclusion policy, through which we have been able to keep the level of exposure to companies that have been involved in breaches of the UN Global Compact principles or the OECD Guidelines to a restricted level.	<p>Through its CAP- Exclusion policy, BDPB excludes certain companies from investment.</p> <p>As part of the normative screening, companies in breach with the Global Standards are omitted from investments. Not complying with these Standards equates to violating UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.</p> <p>As one of our priorities PAI for 2023, BDPB will closely monitor the evolution of this PAI in order to reduce the negative impact consequently.</p>
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	22,27%	25%	We believe this is based on our exclusion policy, through which we have been able to keep our exposure to these companies at a relatively similar level.	<p>Through its CAP-Exclusion policy, BDPB excludes certain companies from investment.</p> <p>As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards focus on -but are not limited to- labour rights and human rights.</p> <p>The extensive negative screening (behaviour) excludes companies with the most severe controversial behaviour. This covers a company's operational aspects such as causing severe human rights or labour infringements, as well as the social and societal impact of its products and services.</p> <p>Through its Fund engagement policy, BDPB will challenge third-party funds regarding position they held that are not aligned with the principles mentioned above.</p>
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	12,77%	13%	No significant changes. Given all the information gathered and the extent of data coverage, it is not possible to comment on the figure at this stage.	<p>Through its CAP-Exclusion policy, BDPB excludes certain companies from investment.</p> <p>As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- upholding the elimination of discrimination in respect of employment and occupation.</p> <p>Through its Fund engagement policy, BDPB will challenge third-party funds regarding position they held that are not aligned with the principles mentioned above.</p>

	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	26,84%	22%	Slight positive change. The companies in which Degroof Petercam invested have disclosed more data than last year. This is why the percentage is better in 2023.	<p>Through the EFIP, part of the GSIP, this element is used within the broader “governance” assessment whereby worst performers are excluded from our universe or are score negatively on the ESG internal classification (“best-in-class”).</p> <p>Through its Fund engagement policy, BDPB might challenge third-party funds regarding position they held that are not aligned with the principles in this regard.</p>
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	0%	No significant changes. We believe this is based on our exclusion policy, through which we have been able to maintain zero exposure.	<p>Through its CAP-Exclusion policy, BDPB excludes certain companies from investment.</p> <p>As part of its basic negative screening, it excludes companies with any direct revenue exposure to anti-personnel landmines, cluster munitions and armours.</p> <p>As one of our priorities PAI for 2023, BDPB will closely monitor the evolution of this PAI in order to reduce the negative impact consequently.</p>

Table 2: Indicators applicable to investments in in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact (2023)	Impact (2022)	Explanation	Action taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	392.19 tons of CO2 per million euros GDP <sup>12</sup>	No data available	The companies in which Degroof Petercam invests have disclosed more data than last year. This is why we are able to disclose a figure for 2023.	The actions taken in this regard for 2023 were done on an indirect approach.  Through the EFIP, part of the GSIP, this element is used within the broader "governance" assessment whereby worst performers are excluded from our universe or are score negatively on the ESG internal classification ("best-in-class").
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0%	0%	No significant change. We believe this is based on our exclusion policy, through which we have been able to maintain zero exposure.	Through its CAP-Exclusion policy, BDPB excludes certain countries from investment.  As part of its basic negative screening, it excludes investments in sovereign bond issuers that are considered non-free and authoritarian, unless their currency is a reserve currency for moderate profiles.

Table 3: Indicators applicable to investments in real estate assets<sup>13</sup>

Adverse sustainability indicator		Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	NA	NA	NA	NA
Energy efficiency	18. Exposure to energy- inefficient real estate assets	Share of investments in energy-inefficient real estate assets	NA	NA	NA	NA

<sup>12</sup> GDP : Gross domestic product.

<sup>13</sup> As BDPB does not do direct investments into real estate assets for its clients under discretionary portfolio management nor in the managed sub-funds, the table has been withheld in the report but for transparency reasons, "NA" has been mentioned.

Table 4: Additional climate and other environment-related indicators

Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact (2023)	Impact (2022)	Explanation	Action taken, and actions planned and targets set for the next reference period	
<b>Indicators applicable to investments in investee companies</b> CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Water, waste and material emissions	6. Water usage and recycling	1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies	4325,40 cubic metres per million AUM	8 936.17 cubic metres per million AUM	The difference in figures between 2022 and 2023 for this PAI can potentially be explained by a change in data coverage or increased efforts by companies to reduce water consumption.	Through its CAP-Exclusion policy, BDPB excludes certain companies from investment.  As part of the normative screening, companies in breach with the Global Standards are omitted from investments. These Standards include -but are not limited to- undertaking initiatives to promote greater environmental responsibility.
		2. Weighted average percentage of water recycled and reused by investee companies	No data available	No data available	NA	Additionally, BDPB uses as a starting point to monitor this PAI for 2023 already some exclusions based on connected activities with an indirect consequence on this PAI: <ul style="list-style-type: none"> <li>• As part of its basic negative screening, it excludes companies with certain revenues derived from unconventional oil &amp; gas production as this might generate an important water consumption.</li> </ul> As one of our voluntary PAI for 2024, BDPB will closely monitor the evolution of this PAI in order to reduce the negative impact consequently.



Table 5: Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact (2023)	Impact (2022)	Explanation	Action taken, and actions planned and targets set for the next reference period	
Indicators applicable to investments in investee companies						
Social and employee matters	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays <sup>14</sup> lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	1,39 days on average per employee and per company	4,63 days on average per employee and per company	<p>This figure (2023) can be explained by the fact that until recently many companies did not publish this data.</p> <p>Data coverage for this PAI remains relatively poor.</p>	<p>In its GSIP, BDPB emphasis how social matters including working conditions like injuries, accidents, fatalities or illness of employees are an important part of it's ESG integration due diligence. It includes material figures around number of days lost of injuries as part of its positive screening, ultimately favoring the best performers.</p> <p>Within the analysis ESG risks" and the approach "best in class" within peers, this element is taken into account as one of the social parameters.</p> <p>As one of our voluntary PAI for 2024, BDPB will closely monitor the evolution of this PAI in order to reduce the negative impact consequently.</p>

BDPB performs in this regard a look-through analysis on funds that are part of the core offer and conviction list<sup>15</sup> in order to assess their exposure to Principal Adverse Indicators and whenever it is required to engage with the funds managers. The PAI calculation itself will be done based on the data derived from the EET files.

<sup>14</sup> Working days are calculated on the basis of data from employees and external staff of the beneficiary companies.

<sup>15</sup> List of the instruments that can be used in discretionary portfolio management and under pro-active investment advice.

### 3. Description of policies to identify and prioritize principal adverse impacts on sustainable factors

With the urgency of having concerted efforts on the energy transition and of facing the many environmental and social challenges we want to play an active role.

BDPB's Global Sustainable Investment Policy (GSIP) is designed to identify and manage accordingly sustainability risks, assess and manage key adverse impacts on sustainability factors in relation to its investment decisions in the context of discretionary management, investment advisory services and funds management. This policy was adopted in March 2021 and has been updated in January 2023.

BDPB also has other policies that consider some of the principal adverse impacts, as depicted in Tables 1, 2, 3, 4 and 5 above.

- Controversial Activities policy (Group version adopted in 2023): This Group policy describes BDPB standpoint on business activities that stimulate debate among various parties and tend to be controversial. This policy identifies the activities excluded from BDPB's investment universe and criteria activities should meet in order to be included.
- Fund Engagement Policy (initially adapted in 2022 and updated annually): This policy aims to define a framework and measures to be applied when BDPB engages with fund managers in the context of the bank's commitment to Europe's Sustainable Finance Agenda. As developed in the "engagement policies" chapter, BDPB is mainly active on engaging with external and internal fund managers although some engagement with Corporate issuers is also realized through Degroof Petercam Asset Management.
- Finally, as indicated above, BDPB has also taken a voluntary Net Zero Commitment (prepared and structured during 2023 and finalized early 2024) with the SBTi to best manage carbon footprint of the discretionary portfolio management and its patrimonial funds.

Besides the mentioned policies, BDPB benefits for the intra-Group's expertise and Sustainability Steering Groups that all report to the Non-Financial Risk Committee (NFRC). In this regard, BDPB participates to the Responsible Investment Steering Group (RISG) which reflects on ESG challenges including the PAI elements.

The RISG meets every month and is chaired by the CEO of Degroof Petercam Asset Management (DPAM). Non-DPAM staff members are invited to join the RISG to extend its scope to all the group's Responsible Investment aspects. Besides, BDPB has setup a Responsible Banking Steering Group (RBSG) in March 2022, to oversee the sustainability of the banking activities. This includes especially the steering of the Private Banking value proposition and service offering including reflection regarding exclusions and PAI. This steering group convenes on a monthly basis and is chaired by the Bank's head of non-financial risk management. Finally, there is also an ESG Strategy committee operating within BDPB that considers the group's strategy on a bi-monthly basis. This committee is led by the Group Sustainability Manager. The CEO of BDPB is also a member of the above-mentioned committees.

#### 1. Identifying and prioritizing environmental principle adverse indicators for corporates

By the Extra-Financial Investment Process (EFIP), part of the GSIP, our investments teams and the portfolio and fund managers are provided with an extra-financial classification methodology enabling them to identify companies' exposure to key sustainability issues and to monitor how these companies deal with these issues.

Under EFIP, issuers (companies) are analysed from different angles.

**The first angle** is their eligibility. In practice, we exclude certain issuers based on an analysis of controversial activities and/or behavior.

Therefore, we perform a normative screening (compliance with relevant international rules, standards and protocols) based on environmental, social and governance criteria. The result of the screening leads to the exclusion of (or engagement in case the issuer is held through a fund we invest in) :

- Issuers involved in controversial activities (arms, tobacco, gambling, pornography) ;
- Issuers that do not respect the principles of the United Nations Global Compact ;
- Issuers exposed to severe environmental, social or governance controversies ;
- Issuers with unsatisfactory corporate governance scores (see below).

This analysis pillar therefore allows us to assess the degree of eligibility of a financial instrument (for which types of mandates and for which sustainability profiles is the instrument eligible or not ?). In the case of funds, this pillar allows us to identify the managers with whom we will enter into discussion concerning the underlying positions that we consider problematic (what we also call Fund Engagement Policy<sup>16</sup>).

**The second angle** is the extent to which they integrate and manage environmental, social or governance (ESG) risks. We analyze both their exposure to these risks and how they manage them. In order to assess this ESG risk integration we rely on a peer-analysis realized by sector on both environmental and social factors. Within each sector, companies are ranked and we flag the best-in-class<sup>17</sup> ones as “ESG”. At contrary companies that are the worst within their peers group will be flagged as “non-ESG”<sup>18</sup>. Others are categorized as “neutral”. These rankings are used to respect predefined thresholds within the portfolios.

**The third and last angle** is their sustainability-impact. We measure how the products and services provided by the issuer contribute to specific environmental and social objectives.

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<sup>16</sup> [FundEngagementPolicy\\_ENG\\_v1.0\\_2022.pdf \(ctfassets.net\)](#).

<sup>17</sup> The concept of Best-In-Class is used to identify companies with superior ESG characteristics. Selection is always based on a comparison with peers. Following the "best-in-class" principle does not necessarily mean excluding the most controversial sectors or industries, but the aim is to invest as a priority in companies that make the greatest effort to respect ESG criteria in their respective sectors.

<sup>18</sup> Instruments that are not the best in their sector in terms of ESG.

The selection of instrument into our eligible investment universe for discretionary portfolio management (including the fund selection) and the portfolio construction process both take into account these three angles. These ESG aspects indirectly helps us to limit our negative impact on Principal Adverse Indicators by excluding problematic sectors or activities and favorizing into the investment process the best-in class players in their sector or the issuers with a good sustainable score.

To further strengthen sustainability strategy, BDPB has defined a global approach on its management of negative impacts by applying in its overall due diligence process a more active screening on a list of material pre-selected PAI indicators that will have an influence on its investment decisions and advisory setup:

- 1. Green House Gas emissions
- 2. Carbon footprint
- 10. Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons).

It's worth noting that BDPB is subject to the Mahoux law<sup>19</sup>, which prohibits direct and indirect financing of controversial weapons in Belgium. As a Responsible Bank, BDPB does not finance this type of weaponry. The PAI filters all BDPB eligible instruments at the start of the process to avoid exposure to controversial weapons.

Finally, it is BDPB's intention to closely monitor its potential impact on the other indicators and to make corrections where and when necessary.

## 2. Identifying and prioritizing principle adverse indicators for sovereigns

The identification and prioritization of the principle adverse social indicator for sovereigns is also part of BDPB's evaluation and screening process. In this screening process different risk ratings regarding the environmental and the social aspect, such as respect for civil liberties and political rights, respect for human rights and the level of violence in the country, commitment to major labor law conventions, the issue of equal opportunities and distribution of wealth, etc. are used to screen and label the different countries.

Moreover, the two PAI applicable to sovereign and supranational issuers ("Greenhouse Gas intensity" and "investee countries subject to social violations") are part of the BDPB priority list.

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<sup>19</sup> Belgian law of 20 March 2007.

### 3. Identifying and prioritizing adverse indicators for third party funds

All our discretionary managed portfolios can invest in funds that are products under Regulation (EU) 2019/2088. The funds used within our discretionary portfolio management need to respect the criteria as defined under point 1. Therefore, we perform on the third-party funds part of our Conviction List look-through analysis of the composition in order to manage potential PAI issues.

Therefore, the companies in which investments are made by these third-party funds must apply good governance practices, and sustainable investments made by the funds may not cause significant harm to any environmental or social sustainable investment objective (i.e. by taking into account indicators for adverse impacts on sustainability factors), in accordance with Regulation 2019/2088 and they need to respect the EFIP of BDPB.

BDPB engages thus with the third-party fund manager regarding the respect of the EFIP criteria defined by BDPB and in this regard a marginal due diligence regarding principal adverse impacts can be done.

### 4. Data sources used

Table 1: Indicators applicable to investments in investee companies

Adverse sustainability indicator		Document describing the manner of PAI consideration	Coverage of direct lines <sup>20</sup> (equities and bonds)	Main data source
Greenhouse gas emissions	1. GHG emissions	GISP, exclusion policy	Between 60 and 80% coverage	Sustainalytics & Cleversoft <sup>21</sup>
		GISP, exclusion policy		
		GISP, exclusion policy		
		GISP, exclusion policy		
	2. Carbon footprint	GISP, exclusion policy	Between 60 and 80% coverage	
	3. GHG intensity of investee companies	GISP, exclusion policy	Between 60 and 80% coverage	
	4. Exposure to companies active in the fossil fuel sector	GISP, exclusion policy	Between 60 and 80% coverage	
5. Share of non-renewable energy consumption and production	GISP, exclusion policy	Between 60 and 80% coverage		
6. Energy consumption intensity per high impact climate sector	GISP, exclusion policy	In general, less than 10% coverage		

<sup>20</sup> By "direct line coverage", we wish to highlight the fact that we do not currently have 100% PAI data for direct line investments (equities and bonds) within the discretionary management service. We give an indicative percentage range here. PAI data coverage will increase significantly over the next few years.

<sup>21</sup> Data used for the PAI report in case of funds will be derived from EET files collected through Cleversoft.

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	exclusion policy	Between 60 and 80% coverage	Sustainalytics & Cleversoft
Water	8. Emissions to water	exclusion policy	Less than 10 % coverage	Sustainalytics & Cleversoft
Waste	9. Hazardous waste and radioactive waste ratio	exclusion policy	Between 60 and 80% coverage	Sustainalytics & Cleversoft
Social and employee matters	10. Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	GISP, exclusion policy	Between 60 and 80% coverage	Sustainalytics & Cleversoft
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	GISP, exclusion policy	Between 60 and 80% coverage	
	12. Unadjusted gender pay gap	GISP, exclusion policy	Less than 10 % coverage	
	13. Board gender diversity	GISP, exclusion policy	Between 60 and 80% coverage	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	GISP, exclusion policy	Between 60 and 80% coverage	



Table 2: Indicators applicable to investments in in sovereigns and supranationals

Adverse sustainability indicator		Document describing the manner of PAI consideration	Coverage of direct lines (equities and bonds)	Main data source
Environmental	15. GHG intensity	GISP, exclusion policy	Not available	Sustainalytics & Cleversoft
Social	16. Investee countries subject to social violations	GISP, exclusion policy	Not available	Sustainalytics & Cleversoft

Table 3: Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Document describing the manner of PAI consideration	Coverage of direct lines (equities and bonds)	Main data source
Fossil fuels	17. Exposure to fossil fuels through real estate assets	NA	NA	NA
Energy efficiency	18. Exposure to energy-inefficient real estate assets	NA	NA	NA

Table 4: Additional climate and other environment-related indicator

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Document describing the manner of PAI consideration	Coverage of direct lines (equities and bonds)	Main data source
<b>Indicators applicable to investments in investee companies</b> CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
Water, waste and material emissions	6. Water usage and recycling	GISP, exclusion policy	Between 60 and 80% coverage	Sustainalytics, Cleversoft & Trucost

Table 5: Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Document describing the manner of PAI consideration	Coverage of direct lines (equities and bonds)	Main data source
<b>Indicators applicable to investments in investee companies</b>				
Social and employee matters	3.Number of days lost to injuries, accidents, fatalities or illness	GISP, exclusion policy	Less than 10%	Sustainalytics & Cleversoft

#### 4. Managing the margin of error

There is a broadly supported sector-view that the main limitations regarding sustainable finance including PAI management are data availability and data quality. At BDPB, we are aware of these limitations that affect our methodology and the way we use to manage our impact on Principal Adverse Indicators (“PAI”). Consequently, we have put into place, to the best extend possible, elements to mitigate these elements.

Our analyses are principally based on data provided by external data providers that are collecting ESG data at underlying companies and therefore depend on the quality of this information and the potential difference in methodology between the different data source and as consequence a difference in PAI score might appear. ESG reporting by companies and other issuers is still limited. With the new Corporate Sustainability Reporting Directive (“CSRD”)<sup>22</sup> that will force companies to disclose on ESG data the situation will definitely improve in the coming years. Furthermore, it remains difficult to anticipate the emergence of ESG controversies that could lead to an alteration in the quality of the reported ESG data of the issuer being held in the portfolio.

In order to overcome the data availability and quality attention point at investee company-level, we use estimates and scorings made by data providers to complete the reported data. Although the use of these data is really critical to get a comprehensive insight of the way the company deals with ESG challenges, we also face here several general market-related limitations:

- The coverage rate of companies and instruments is incomplete compared to our Investment Universe which means that for the different PAI we don’t obtain the relevant data on all instrument in scope of this reporting. However, BDPB has added a coverage score to the PAI data from this year to improve transparency on the relevance of the reported figures;
- The bias in favor of large market capitalizations publishing quantity of information and sustainability reports, as opposed to smaller market capitalizations with fewer marketing and reporting resources. That may lead smaller companies to have no ESG data available on the market or to have less attractive scorings, the correlation between a company’s extra-financial rating and its publication rate remains relatively high ;

<sup>22</sup> Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.

- The bias towards good ESG practices based on a western benchmark, as extra-financial rating agencies remain conditioned by a western view of environmental, social and good governance issues, to the detriment of companies from emerging economies, particularly Asian ones ;
- The relevance of the criteria used for the evaluation: the use of relatively global standards does not always make it possible to capture the particularities and truly material issues of certain specific economic activities, to the disadvantage of companies that are highly specialized in one sector of activity.

In order to manage these limitations BDPB is taking a number of measures:

- We first participate to the Responsible Investment Steering Group (“RISG”) of Degroof Petercam together with our Asset Management’s company (DPAM). In the RISG, particular cases and relevant bias are analyzed in order to make the required adjustments (downgrading or upgrading) ;
- The second way to manage these limitations is to initiate a dialogue with the fund managers. This dialogue is important to exchange on divergences with them, improve the quality of our data or draw their attention on negative impact of companies they invest in.

### Managing the margin of error for our investments

Despite these efforts, there is still a margin of error that for now remains on data quality and availability regarding our in-house methodology on the principal adverse impacts. Working with data providers may always lead to inaccuracies, which BDPB tries to remedy through different means. These remediation steps are applicable for both investments in corporate issuers, sovereigns and regarding third-party funds. They include, but are not limited to:

- One key adverse impact is the exposure to companies facing violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, which aim to uphold four fundamental principles: defend human rights, defend labor rights, prevent corruption and protect the environment. ESG rating agencies assess companies’ compliance with these principles based on specific criteria derived from the 10 principles of the UN Global Compact<sup>23</sup>. The analysis identifies companies that have faced incidents and severe controversies resulting in violations of these fundamental rights principles. The severity of the controversies and incidents is evaluated based on national and international legislation, but also considers international ESG standards, such as the recommendations of the OECD for multinational companies, the conventions of the International Labor organization, the Universal Declaration of Human Rights, and others. BDPB uses two data providers to assess a company’s compliance with these global standards, and if one or both providers flag a company as non-compliant, the company is excluded.
- In our private banking practice, we recognize the importance of offering a diverse range of investment opportunities to our clients, which includes investing in various funds. However, we acknowledge that these funds may have different underlying values and environmental, social, and governance (ESG) views, potentially resulting in investments in companies that do not align with our established standards. To address this potential discrepancy, we have developed a comprehensive methodology outlined in our "Fund Engagement Policy" document (please refer to this document for further details).
- As data is lacking on quite some issuers, BDPB also uses partially modelled data, for example on GHG which is provided through data providers such as S&P Global, Trucost, CDP and Morningstar Sustainalytics.

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<sup>23</sup> [The Ten Principles | UN Global Compact](#)

## 5. Engagement policies.

BDPB invests directly or indirectly (i.e. through patrimonial funds) a significant proportion of its AuM in funds that are managed by DPAM, the asset management company in the Group. For that part of its portfolios, it relies on the engagements done by DPAM. For a complete overview of DPAM's policies, please check the [dedicated webpage](#).

For the proportion of its AuM that it invests directly or indirectly (i.e. through patrimonial funds) in funds that are managed by third-party asset managers than DPAM, BDPB has developed a fund engagement policy (FEP). In this policy, BDPB affirms that it considers it has a responsibility to express its opinion on the management of the third-party funds in which it invests and make its voice heard. BDPB will, therefore, not hesitate to speak up to urge fund managers in which it invests to be managed according to best practices. Engaging with fund managers through direct dialogue during meetings with their representative, or more formally, as described in the engagement policy, is a means to ensure that these best practices are respected. The process explained in the FEP pays particular attention to investments that are made by external managers in companies that BDPB would otherwise exclude as part of the group's Controversial Activities Policy (CAP-Exclusion Policy). The CAP affirms the group's standpoint regarding (1) business activities that are deemed controversial and (2) behaviors in which we refuse to get involved in as a firm.

For instance, BDPB, has committed not to finance controversial activities such as tobacco, thermal coal, or nuclear weapons. Next to these exclusions, the CAP also discusses BDPB's stance on other activities, such as unconventional and conventional oil and gas, palm oil, democratic requirements, etc. Our commitment to aligning investments with our clients' values and maintaining a high standard of ESG criteria remains paramount throughout this process.

The outcome of the fund engagement activity of BDPB are regularly and at least once a year reported to the RBSG.

## 6. Reference to international standards

The patrimonial investment funds and mandates that are products promoting ESG characteristics (article 8 SFDR) or products promoting ESG characteristics and making sustainable investments (article 8 SFDR) follow the BDPB approach and apply an investment restriction based on the non-compliance to the global standards.

These funds/mandates avoid investing in companies in breach with the 10 Global Compact principles of the UN Global Compact principles, ILO instruments<sup>24</sup>, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties. BDPB decided to use a conservative approach to check the adherence of investee companies to these standards. In case a non-compliant status of a company is observed by either data providers Sustainalytics or MSCI ESG, the company is put on the blacklist.

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

As our portfolio management uses also DPAM funds within the portfolio construction, it is also important to mention that the asset management entity DPAM is a signatory of the Net Zero Asset Management (NZAM) initiative. In this context, the NZAM initiative strives to promote the objective of net zero greenhouse gas emissions by 2050 or at the earliest, in line with the Paris Agreement. This initiative also supports investments aligned with the net zero emissions objective. With regards to DPAM active funds, in any compartments Article 8 and 9 SFDR, 75% of the portfolio constituents of carbon intensive sectors need to have Science Based Targets or emissions aligned with a 1.5°C scenario by 2030. Moreover, any active compartments Article 8, 9 SFDR, 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 is directly derived from the Science Based Target initiative (SBTi) website. Based on the preparations done in 2023 with all relevant stakeholders, BDPB took a commitment with the SBTi early 2024. BDPB now has 2 years to have its targets validated, but in any case, by 2040 BDPB will only have investments in companies that are SBTi aligned and this for both discretionary and patrimonial management. The advantage of taking SBTi alignment into account, is that this also involves a so-called "Forwardlooking" analysis.

## 7. Historical comparison

BDPB has described the negative impacts on sustainability factors relating to the previous period (2022).

In the section 2, "description of the main negative impacts on sustainability factors" in table 1, 2, 3, 4 and 5, BDPB provides a historical comparison between 2022 and 2023.

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<sup>24</sup> ILO: International Labour Organization.

## Section II : Statement on principal adverse impacts of investment advice on sustainability factors as financial adviser

As a Financial Adviser, the instruments that can be used for investment advice are part of the same Universe<sup>25</sup> as for Discretionary Management and thus will benefit from the same screening process and exclusion criteria whereby impacts are managed accordingly. Moreover, Funds are benefiting from the same level of screening.

Additionally, even though Advisory portfolios are as such no SFDR products, the rules on the eligibility and proportion of an SFDR article 8 product are also used as benchmark for them as part of the internal Sustainable investment strategy as defined in the GSIP. These rules are applied by BDPB independently of the profile defined within the MIFID questionnaire “sustainability preferences” flow as it is the overarching strategy of BDPB to limit the negative impacts for all managed and advised portfolios. Therefore, these rules of the sustainable investment strategy of BDPB are applied to all “investment decisions and recommendations” taken by BDPB. By doing so, BDPB intends to limit the PAI of its investment decisions at entity level based on a global approach.

Regarding specific PAI as part of the sustainable preferences questionnaire within MiFID suitability, a client can as of August 2022 express for investment advisory services, as to whether and, if so, to what extent, the consideration of principal adverse impacts on sustainability factors shall be integrated into his, her, its investment. In this setup, BDPB does not consider any preferences on adverse impacts of investment decisions on sustainability factors in its investment advice on any other financial instruments than investment funds. This is because no established accounting methodologies are available for the other financial instruments.



## 1. Process used by BDPB to select the Instruments BDPB advise on

### 1. Use of information published by financial market participants pursuant to SFDR

For advisory mandates BDPB can state:

- As all instruments in scope for discretionary portfolio management are part of the same universe as the instruments used for our Advisory services, the latter benefits from the same approach, controls and monitoring as describe above.
- In the same philosophy as for Sustainability risks, BDPB believes that choosing issuers, companies with a lower ESG risk exposure and/or a better management of this exposure allows to lower the impact on the PAI. Furthermore, during our Due Diligence process BDPB gives priority to a large proportion of companies that outperform their peers (within an industry) on the Environmental and/or Social themes, defines minimum proportions of Sustainable investments (aligned with Taxonomy or with a global positive impact on UN SDG's), applies exclusion policies and BDPB strongly limits the number of bad performers. By doing this we try to limit our impact on the PAI ;
- As BDBP has no direct influence on the underlying investments made by the fund managers of the third-party funds it selects, some of the funds might invest in instruments that would be excluded were they done directly by BDPB as they are not compliant with our GSIP and consequently have a negative sustainability impact. In order to limit negative impact within third party Funds, BDPB works with an engagement policy towards these external fund managers to allow them to change their setup or if they do not react accordingly to exclude these funds from our selection ;
- Whenever a client expresses specific preferences regarding PAI, given limited availability of data in 2023 on this element, the difficulty to match funds with these preferences was a major burden. BDPB will do its best to take them into account in the investment process based on enhanced product data and internal guidelines.

### 2. Ranking and selection of instruments based on the indicators listed in Table 1 of Annex I Delegated Regulation SFDR and any additional indicators and, where applicable, a description of the ranking and selection methodology used

When advising on instruments and funds, BDPB selects them based on different financial and extra-financial criteria whereby by exclusions and “best-in-class” approaches are directly linked to PAI elements.

For 2023 BDPB has not set any ranking methodology.

### 3. Any criteria or thresholds based on the principal adverse impacts listed in Table 1 of Annex I of Annex I Delegated Regulation SFDR that are used to select, or advise on, instruments

BDPB has for 2023 not set any criteria or thresholds based on the PAIs.

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### Disclaimer

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