



Principal Adverse Impact Statement

Section I : Financial Market Participant

Section II : Financial Adviser

22 December 2023 - Version 2

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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 Luxembourg S.A. (here after „the Bank” or “**BDPL**”), LEI : NCKZJ8T1GQ25CDCFSD44, considers principal adverse impacts of its investment decisions on sustainability factors ("PAI"). This statement is the entity-level statement¹ on principal adverse impacts on sustainability factors of Bank Degroof Petercam Luxembourg S.A. according to article 4 of the Sustainable Finance Disclosure Regulation (SFDR)² and the Delegated Regulation SFDR³.

This report covers the reference period from 1 January 2022 to 31 December 2022 and incorporates the reporting of quantitative information for that reference period.

BDPL 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 BDPL considers the mandatory principal adverse impact indicators and two voluntary indicators, defined by SFDR but subject to data availability and quality.

For 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. BDPL 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. BDPL has the intention to further strengthen and develop as of 2023 the PAI management.

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

Section I of the document contains the PAI statement of BDPL as Financial Market Participant (“FMP”). It therefore applies consistently to all discretionary managed portfolios⁴ qualifying as financial products as per Regulation (EU) 2019/2088, for which BDPL acts as a portfolio manager. From an investment service perspective, it does apply only to discretionary portfolio management mandates.

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

In this regard, BDPL 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 new version (version 2 dated 22 December 2023) includes the figures relating to third-party funds used in our discretionary managed portfolios.

BDPL, as a Financial Adviser, 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 BDPL 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.

BDPL’s global sustainable investment policy (hereafter “GSIP” which contain the Extra-Financial Investment Process) and Controversial Activities Policy are used to identify and prioritize principle adverse impacts. BDPL 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 BDPL are rooted in international standards.

⁴ "According to the SFDR's transparency classification system, a financial product will either be classified as an article 6, 8 or 9 - depending on their characteristics, ambitions and consequently level of sustainability:

Article 6: financial product without a sustainability scope;

Article 8: financial product that promote environmental or social characteristics;

Article 9: financial product that have sustainable investment as their objective.

BDPL manages discretionary portfolios that fall within the transparency framework and are in accordance with the transparency rules described based on Article 6 and Article 8 of the SFDR.

2. Description of the principle adverse sustainability impacts

BDPL different policies depict the extent to which Principle Adverse Sustainability Impacts (PAIs) need to be taken into consideration in a structural manner for its discretionary portfolio management.

The main focus in this regard is done by the Global Sustainable Investment Policy (GSIP) which incorporates the Extra-Financial Investment Process of BDPL (“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 (hereafter “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 BDPL’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 page 16.

Year 2022 is the first reference period for which the quantitative impact of the PAIs is being calculated. The columns of the quantitative impact [year n-1] and the explanation column explaining the differences between the [year 2022] and [year n-1] periods are therefore not applicable to the present statement.

For the purposes of the calculation of the impact in table 1, 2, 3, 4 and 5, BDPL 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 BDPL 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.

Table 1: Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact ⁵ (2022)	Impact ⁶ (year n-1)	Explanation ⁷	Action taken, and actions planned and targets set for the next reference period	
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	47 999 (tons)	NA	NA	Through its CAP- Exclusion policy, BDPL excludes certain companies from investment. 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.
		Scope 2 GHG emissions	17 648 (tons)	NA	NA	
		Scope 3 GHG emissions	230 524 (tons)	NA	NA	
		Total GHG emissions	507 208 (tons)	NA	NA	
	2. Carbon footprint	Carbon footprint	379.08	NA	NA	As part of its basic negative screening, BDPL excludes companies that derive a certain portion ⁸ of revenue from thermal coal extraction. This screening also excludes companies that derive a certain portion of coal- based power generation ⁹ , or unconventional oil & gas production ¹⁰ . As part of its extensive negative screening (activities), BDPL also has set exclusions regarding the most “sustainable strategies” for conventional oil & 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 & gas production are more stringent than with the basic negative screening. All thresholds for exclusion are depicted in the Exclusion policy.
	3. GHG intensity of investee companies	GHG intensity of investee companies	1040.87	NA	NA	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	8%	NA	NA	
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	Consumption : 63% Production : 15%	NA	NA	Next to the focus on activities, the extensive negative screening (behaviour) excludes companies with the most severe controversial behaviour. This covers a company’s operational aspects such as emissions, as well as the environmental impact of its products and services. Through its Fund engagement policy, BDPL will challenge third-party funds regarding positions they hold that are not aligned with the principles mentioned above. Moreover, through the products managed by DPAM, a signatory of the Net Zero Asset Management (NZAM) initiative, combined with SBTi targets,	
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	Agriculture : No data Construction : 0.22 Electricity : 2.76 Manufacturing : 0.56 Mining: 1.35 Real Estate: 0.43 Transport: 7.26 Water Supply, Sewerage,	NA	NA		

⁵ BDPL has started measuring performance on Principal Adverse Impact as of 1 January 2022. The first results will be published in 2023.

⁶ BDPL has started measuring performance on Principal Adverse Impact as of 1 January 2022. The first results will be published in June 2023. 2024 will be the first year reflecting a comparison to a previous year.

⁷ This column will provide an explanation on the development of the specific principal adverse impact indicator against the different reference periods, in relation to the actions taken.

⁸ Exclusion threshold for all portfolios on revenue exposure for 2022 was at 10%, above the threshold is excluded. Stricter rules apply for portfolios with strong sustainable preferences

⁹ Exclusion threshold for all portfolios on revenue exposure for 2022 was at 30%, above the threshold is excluded. Stricter rules apply for portfolios with strong sustainable preferences.

¹⁰ Exclusion threshold for all portfolios on revenue exposure for 2022 was at 20%, above the threshold is excluded. Stricter rules apply for portfolios with strong sustainable preferences.

			Waste Management & Remediation Activities : No data Wholesale: 0.08			
						<p>BDPL will indirectly benefit for this element to manage negative impacts in this regard.</p> <p>In its GSIP, BDPL 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 favouring the best performers.</p> <p>The PAI 1. GHG emissions and PAI 2. Carbon Footprint are part of our prioritized PAI. Therefore, BDPL will closely monitor the evolution of these PAI in order to reduce the negative impact consequently.</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	10%	NA	NA	<p>The actions taken in this regard for 2022 were done on an indirect approach. Through its CAP-Exclusion policy, BDPL 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, BDPL uses as a starting point to monitor this PAI for 2022 already some exclusions based on connected activities with an indirect consequence on this PAI:</p> <ul style="list-style-type: none"> As part of its basic negative screening, BDPL excludes 11 companies with certain revenues^{13F} derived from coal-based power generation, or unconventional oil & gas production. As part of its extensive negative screening (activities), BDPL has also set exclusions for conventional oil & gas exploration, extraction, refining and transport. It also excludes companies in the palm oil value chain that don't adhere to proper certifications. The exclusion thresholds of the thermal coal extraction, and unconventional oil & gas production are more stringent than with the basic negative screening. All thresholds for exclusion are depicted in the Exclusion policy. <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> <p>As part of its journey, BDPL will set further concrete steps ahead in the coming years in line with international frameworks which are currently developing as well (cfr. ao. TNFD).</p>
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¹¹ See footnotes 10-11 for more details

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.19	NA	NA	<p>The actions taken in this regard for 2022 where done on an indirect approach.</p> <p>Through its CAP-Exclusion policy, BDPL 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, BDPL uses as a starting point to monitor this PAI for 2022 already some exclusions based on connected activities with an indirect consequence on this PAI:</p> <ul style="list-style-type: none"> • As part of its basic negative screening, it excludes companies¹² with certain revenues derived from unconventional oil & gas production as they might have an negative impact on water pollution. • As part of its extensive negative screening (activities), BDPL has set more stringent exclusion thresholds for unconventional oil & gas production. All thresholds for exclusion are depicted in the Exclusion policy. <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, BDPL will set further concrete steps ahead in the coming years in line with international frameworks which are currently developing as well (cfr ao. TNFD).</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	10.94	NA	NA	<p>The actions taken in this regard for 2022 where done on an indirect approach.</p> <p>Through its CAP-Exclusion policy, BDPL excludes certain companies from investment.</p>

¹² See footnote 11 for more details

						<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, BDPL uses as a starting point to monitor this PAI for 2022 already some exclusions based on connected activities with an indirect consequence on this PAI:</p> <ul style="list-style-type: none"> As part of its basic negative screening, it excludes companies with revenues derived from thermal coal extraction as this activity might create hazardous waste. <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 2022, BDPL did not exclude nuclear energy activities but will follow up on this topic.</p> <p>As part of its journey, BDPL will set further concrete steps ahead in the coming years in line with international frameworks which are currently developing as well (cfr ao. TNFD).</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	1%	NA	NA	<p>Through its CAP- Exclusion policy, BDPL 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 Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.</p> <p>As one of our priority PAI for 2023, BDPL 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	24%	NA	NA	<p>Through its CAP-Exclusion policy, BDPL 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, BDPL 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	10%	NA	NA	<p>Through its CAP-Exclusion policy, BDPL 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, BDPL 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	28%	NA	NA	<p>Through the EFIP, part of the GSIP, this element is used within the broader "governance" assessment of our EFIP 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, BDPL 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%	NA	NA	<p>Through its CAP-Exclusion policy, BDPL 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 priority PAI for 2023, BDPL 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 (2022)	Impact (year n-1)	Explanation	Action taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	No data available yet	NA	NA	The actions taken in this regard for 2022 were done on an indirect approach. Through the EFIP, part of the GSIP, this element is used within the broader “governance” assessment of our EFIP 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%	NA	NA	Through its CAP-Exclusion policy, BDPL 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 assets¹³

Adverse sustainability indicator		Metric	Impact (2022)	Impact [year n-1]	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

¹³ As BDPL 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 (2022)	Impact (year n-1)	Explanation	Action taken, and actions planned and targets set for the next reference period	
Indicators applicable to investments in investee companies 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 2. Weighted average percentage of water recycled and reused by investee companies	3978.28 No data available yet	NA	NA	Through its CAP-Exclusion policy, BDPL 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. Additionally, BDPL uses as a starting point to monitor this PAI for 2022 already some exclusions based on connected activities with an indirect consequence on this PAI: <ul style="list-style-type: none"> • As part of its basic negative screening, it excludes companies with certain revenues derived from unconventional oil & gas production as this might generate an important water consumption. As one of our voluntary PAI for 2023, BDPL 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 (2022)	Impact (year n-1)	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 ¹⁴ lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	0.3	NA	NA	<p>In its GSIP, BDPL emphasis how social matters including working conditions like injuries, accidents, fatalities or illness of employees are an important part of its ESG integration due diligence. It includes material figures around number of days lost of injuries as part of its positive screening, ultimately favouring 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 2023, BDPL will closely monitor the evolution of this PAI in order to reduce the negative impact consequently.</p>

BDPL performs in this regard a look-through analysis on funds that are part of the core offer and conviction list¹⁵ 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.

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

¹⁵ Part 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.

BDPL'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. The last version of this policy was adopted in September 2023.

BDPL 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 BDPL standpoint on business activities that stimulate debate among various parties and tend to be controversial. This policy identifies the activities excluded from BDPL's investment universe and criteria activities should meet in order to be included.
- Fund Engagement Policy (Group version adopted in 2023): The policy aims to define a framework and measures to be applied when BDPL 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, BDPL 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.

Besides the mentioned policies, BDPL benefits for the intra-Group's expertise and sustainability Steering Groups that all report to the Non-Financial Risk Committee (NFRC). In this regard, BDPL 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, BDPL is participating to a Responsible Banking Steering Group (RBSG) set up in March 2022 by Banque Degroof Petercam Belgium SA/NV, to oversee the sustainability of the banking activities. This includes especially the steering of the bank's 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 Group head of regulatory coordination.

1. Identifying and prioritizing environmental principle adverse indicators for corporates

By the Extra-Financial Investment Process (EFIP), part of our 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 and for which you can find our policy on our website).

The second angle is the extent to which they integrate and manage environmental, social or governance (ESG) risks. We analyse 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 ones as “ESG”. At contrary companies that are the worst within their peers group will be flagged as “non-ESG”. 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.

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 3 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 BDPL sustainability strategy, BDPL 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 BDPL is subject to the Law of 4 June 2009¹⁶ implementing the Convention on Cluster Munitions, which includes a prohibition for all persons or businesses from knowingly financing cluster munitions or explosive submunitions in Luxembourg.

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

¹⁶ Act of 4 June 2009 approving the Convention on Cluster Munitions, opened for signature in Oslo, 3 December 2008.

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 BDPL'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 2 PAI applicable to sovereign and supranational issuers ("Green house Gas intensity" and "investee countries subject to social violations") are part of the BDPL priority list.

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 BDPL.

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

Table 1: Indicators applicable to investments in investee companies

Adverse sustainability indicator		Document describing the manner of PAI consideration	Main data source
Greenhouse gas emissions	1. GHG emissions	GISP, exclusion policy	Sustainalytics & Cleversoft ¹⁷
		GISP, exclusion policy	
		GISP, exclusion policy	
		GISP, exclusion policy	
	2. Carbon footprint	GISP, exclusion policy	
	3. GHG intensity of investee companies	GISP, exclusion policy	
4. Exposure to companies active in the fossil fuel sector	GISP, exclusion policy		
5. Share of non-renewable energy consumption and production	GISP, exclusion policy		
6. Energy consumption intensity per high impact climate sector	GISP, exclusion policy		
Biodiversity	6. Activities negatively affecting biodiversity-sensitive areas	exclusion policy	Sustainalytics & Cleversoft
Water	7. Emissions to water	exclusion policy	Sustainalytics & Cleversoft
Waste	8. Hazardous waste and radioactive waste ratio	exclusion policy	Sustainalytics & Cleversoft
Social and employee matters	9. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	GISP, exclusion policy	Sustainalytics & Cleversoft
	10. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	GISP, exclusion policy	
	11. Unadjusted gender pay gap	GISP, exclusion policy	
	12. Board gender diversity	GISP, exclusion policy	
	13. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	GISP, exclusion policy	

¹⁷ Data used for the PAI report in case of funds will be derived from EET files collected through Cleversoft.

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

Adverse sustainability indicator		Document describing the manner of PAI consideration	Main data source
Environmental	14. GHG intensity	GISP, exclusion policy	Sustainalytics & Cleversoft
Social	15. Investee countries subject to social violations	GISP, exclusion policy	Sustainalytics & Cleversoft

Table 3: Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Document describing the manner of PAI consideration	Main data source
Fossil fuels	17. Exposure to fossil fuels through real estate assets	NA	NA
Energy efficiency	18. Exposure to energy-inefficient real estate assets	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	Main data source
Indicators applicable to investments in investee companies			
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS			
Water, waste and material emissions	6. Water usage and recycling	GISP, exclusion policy	Sustainalytics & Cleversoft

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	Main data source
Indicators applicable to investments in investee companies			
Social and employee matters	3.Number of days lost to injuries, accidents, fatalities or illness	GISP, exclusion policy	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 BDPL, 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”)¹⁸ 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. BDPL intends to add for the future a coverage ratio on the PAI data to enhance the transparency on the relevancy 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;

¹⁸ 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 BDPL does several things. 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 by engaging or undertaking 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 BDPL 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. 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. BDPL 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, BDPL also uses partially modelled data eg on GHG which is provided through data providers such as S&P Global Trucost and Morningstar Sustainalytics.

Engagement policies.

BDPL invests directly or indirectly (i.e. through patrimonial funds) a significant proportion of its AuM in funds that are managed by DPAM, its sister 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, BDPL has developed a fund engagement policy (FEP). In this policy, BDPL 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. BDPL 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 BDPL 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, BDPL, has committed not to finance controversial activities such as tobacco, thermal coal, or nuclear weapons. Next to these exclusions, the CAP also discusses BDPL'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 BDPL are regularly & at least once a year reported to the RBSG.

5. Reference to international standards

The article 8 and 8+ patrimonial investment funds and mandates that follow the BDPL approach apply an investment restriction based on the non-compliance to the global standards. These funds/mandates avoid to invest in companies in breach with the 10 Global Compact principles of the UN Global Compact principles, ILO instruments¹⁹, OECD Multinational Enterprises (MNE) Guidelines, UNGPs and Underlying Conventions and Treaties. BDPL 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 mentioned 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 art8, 8bis and 9, 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 art8, 8+ and 9, 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. These initiatives set the tone within our group.

6. Historical comparison

Not yet applicable²⁰

¹⁹ ILO : International Labour Organization

²⁰ https://www.esma.europa.eu/sites/default/files/library/jc_2021_06_joint_esas_supervisory_statement_-_sfdr.pdf (page 3)

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 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 our GSIP. These rules are applied by BDPL independently of the profile defined within the “sustainability preferences” flow as it is the overarching strategy of BDPL to limit the negative impacts for all managed and advised portfolios. Therefore, these rules of the sustainable investment strategy of BDPL are applied to all “investment decisions and recommendations” taken by BDPL. By doing so, BDPL 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 investment funds. In this setup, BDPL 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.

Process used by BDPL to select the Instruments BDPL advise on

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

For advisory mandates BDPL 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 and controls and monitoring as describe above.
- In the same philosophy as for Sustainability risks, BDPL 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 BDPL 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 BDPL 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 BDPL 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, BDPL 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 2022 on this element, the difficulty to match funds with these preferences was a major burden. BDPL 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, BDPL 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 2022 BDPL 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

BDPL has for 2022 not set any criteria or thresholds based on the PAIs.

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Disclaimer

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