May 2024

Sustainability ranking

Emerging countries

Contents

I. Emerging Countries Universe

1. A pioneer in sustainability analysis for emerging economies

Emerging economies are generally considered to have high potential, notably due to their growing populations which tend to be younger than those of their OECD counterparts. Although most are not always seen as being sustainable or democratic, integrating sustainability criteria into the management of a portfolio investing in these countries provides real added value.

Integrating sustainability factors into the analysis of emerging market issuers is compatible with and adds value to a sovereign debt portfolio. Doing so helps to provide a holistic view by focusing on the long-term perspectives for key institutions that are vital for the functioning and development of markets. The analysis is complementary to credit ratings by mapping the risk situation in terms of sustainability and by providing valuable additional insights to sustainability-oriented investors. Increasingly credit rating agencies are integrating ESG related indicators in their country credit ratings highlighting that DPAM was ahead of the curve in systematically adopting this approach.

The world population currently stands just below 8.1 billion. According to United Nations statistics, this number is projected to grow to 9.5-9.7 billion by 2050. **This increase will be particularly prevalent in emerging economies**, which are currently confronted with overpopulation and a lack of natural resources. The demographic challenge is not only related to energy and environmental challenges, it entails **a challenge for the entire economy.**

The uprisings in the Middle East and large migratory movements continue to highlight the importance of the democratic process and the guarantee of civil rights and freedoms. **Inequality** within a population where high unemployment exists, in particular among youth, creates an insecure and unstable climate, which could lead to rebellion.

Therefore, analysis of the viability of an emerging economy should include the sustainability of the country in terms of transparency and democratic values, as well as the economy, the environment, demographics, health care, wealth distribution and education.

The experience DPAM has gained in the sustainability analysis of OECD states has led to a sustainability model designed for emerging countries incorporating their specific characteristics.

2. Sustainability ranking
May 2024

The starting universe is composed of 85 countries, mainly defined by **the existence of a local or hard currency sovereign debt market.** The sustainability ranking enables the identification of countries which have fully integrated global challenges into the development of their medium-term objectives.

This complements the information gathered from credit ratings, which is traditionally used to assess the short-term valuation of sovereign debt. Integrating long-term perspectives allows us to highlight those countries that are expected to outperform others and therefore to be solvent. These perspectives have no direct impact on the current valuation of an investment but will influence medium and long-term performance.

3. A wellbeing model for countries

It is, in general, agreed that this decade is key for accelerating the transition and that this will determine impact in coming decades.

Currently, the economy is not serving citizens and the planet and is showing its limits in terms of growth.

As Sandrine Dixson-Declève, Co-President of the Club of Rome, mentioned during her keynote speech at the Impact Finance Day in Belgium: we need to shift **from a GDP-based economy to an economy based on values for citizens and the planet, for a wellbeing model.**

Instead of looking at growth through the lens of GDP, she suggested we look at whether the economy finances education or good quality health for all. This is exactly what our model has done since 2007.

Today we face two scenarios: either business as usual or the acceleration of the transition.

Scientific evidence is clear on the first option: the slower the action, the worse the impact, the higher the cost and the more challenging the transition will be with severe consequences including in terms of poverty and inequality.

We can currently see in Western countries how our economic system is increasing social tensions and inequality and decreasing wellbeing. Therefore, at DPAM, we are convinced about how **meaningful** our model, articulated around challenges such as the environment, governance and democratic requirements, wellbeing/health, and education/innovation, is.

Quantitative metrics and the complex challenges of modelling, both present boundaries. As a result, we constantly review our model, to ensure that it **captures the most relevant challenges accurately.**

Figure 1. Emerging countries

Top quartile countries
Second and third quartile countries
Bottom quartile countries
Not free countries
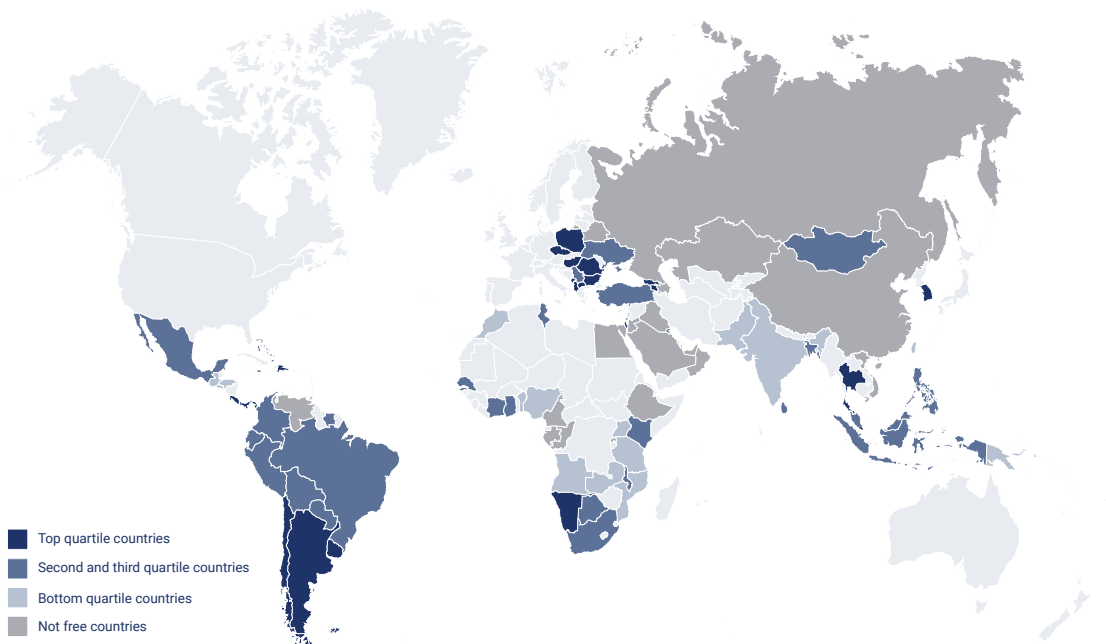
Source: DPAM, May 2024

Figure 2. Sustainable country ranking of Emerging countries

Top quartile countries	#	H1 24	H1 23
Czech Republic	1	76	68
South Korea	2	74	66
Uruguay	3	73	65
Chile	4	72	68
Poland	5	71	65
Singapore	6	71	65
Costa Rica	7	70	63
Hungary	8	70	66
Romania	9	68	62
Israel	10	68	62
Albania	11	67	61
Bulgaria	12	67	60
Namibia*	13	66	55
Argentina	14	65	55
Panama	15	65	58
Montenegro	16	64	57
Armenia	17	64	54
Georgia	18	63	56
Dominican Republic	19	63	51
Macedonia	20	63	56
Thailand	21	63	55

Second and third quartile countries	#	H1 24	H1 23
Jamaica	22	62	49
Brazil	23	61	61
Malaysia	24	61	57
Botswana	25	61	58
Bahamas	26	60	55
Ecuador	27	60	56
Peru	28	59	56
Colombia	29	59	59
Paraguay	30	59	51
Serbia	31	59	56
South Africa	32	59	51
Mexico	33	58	56
Ghana	34	58	54
Mongolia	35	57	50

Second and third quartile countries	#	H1 24	H1 23
Philippines	36	57	51
Turkey	37	57	54
Kuwait	38	57	51
Sri Lanka	39	57	56
Suriname	40	57	56
Malawi	41	56	52
Indonesia	42	56	51
Tunisia	43	56	55
Kenya	44	56	48
Bolivia	45	55	54
Ukraine	46	55	55
Bangladesh	47	54	52
Côte d'Ivoire	48	54	47
Senegal	49	54	50

Bottom quartile countries	#	H1 24	H1 23
Zambia	50	53	50
El Salvador	51	53	53
Morocco	52	53	50
Tanzania	53	52	49
Guatemala	54	52	50
India	55	51	46
Trinidad and Tobago	56	51	43
Benin	57	50	46
Honduras	58	49	50
Mozambique	59	46	44
Lebanon	60	45	46
Uganda	61	43	45
Papua New Guinea	62	42	40
Angola	63	41	37
Pakistan	64	40	40
Nigeria	65	40	41
Taiwan	66	-100	

Excluded	H1 24
Qatar	63
United Arab Emirates	62
China	55
Jordan	55
Saudi Arabia	55
Bahrain	55
Kazakhstan	55
Vietnam	54
Belarus	53
Gabon	52
Oman	52
Rwanda	51
Russia	51
Egypt	51
Azerbaijan	50
Cameroon	43
Ethiopia	42
Venezuela	40
Iraq	40

* Total outstanding amount of bonds below EUR 2 billion

Source: DPAM, May 2024

II. Principles to analyse emerging countries

1. Democracy as starting point

The core of the model is democratic values. Upholding these is a moral obligation for DPAM, a convinced sustainable investor. Academic research has demonstrated the correlation between the quality of the institutional framework of a country and its default risk.

DPAM uses the research of the international NGO Freedom House to assess the democratic development of a country. Based on an annual survey containing 25 questions on political rights and civil liberties, a country is attributed the status of 'free', 'partially free' or 'not free'. This information is complemented by the Democracy Index published by The Economist Intelligence Unit, which is based on approximately twenty questions and assesses the democratic level of a country. Countries are attributed the status of "democracy", "flawed democracy", "hybrid regime" or "authoritarian regime".

Several countries within the emerging universe do not fulfil the minimum requirements in terms of democracy and investment leeway. Our investment strategy linked to this sustainability ranking means that DPAM does not invest in countries which have been categorised by reputable international sources as 'not free' and confirmed as "authoritarian regimes". These include the United Arab Emirates, Belarus, Oman, China, Kazakhstan, Azerbaijan, Qatar, Vietnam, Rwanda, Saudi Arabia, Russia, Egypt, Bahrain, Gabon, Venezuela, Cameroon, and Ethiopia.

Studies indicate a clear link between the democratic level of a country and its sustainability. It is therefore no surprise that the majority of those countries deemed 'not free' are at the bottom of the sustainability ranking.

2. Sustainability: real added value

Our analysis provides important information regarding the sustainability levels of the countries that have been studied. It enables comparison between countries which have a similar level of economic development, but which differ with regard to social, ecological and corporate governance development. Making a clear and thorough analysis of a country's sustainability adds real value as part of the construction of an investment portfolio, in addition to the ideological values that may be presented. In essence, the model puts the opportunities and risks linked to a country in context.

The objective is not to exclude countries which have low sustainability scores, as several countries in the universe have just started to improve their democratic process. Many years of dictatorship weigh on the sustainable development of a country. The transition to fully respecting civil liberties and political rights, the freedom of the press and gender equality is a long-term process, particularly if these rights have been violated for many years. Therefore, the progress made by countries should be closely monitored.

3. Global coverage

The extra-financial research performed by DPAM covers countries in which investors may want to invest (38 OECD countries and 85 emerging countries). This forms an integral part of DPAM's conviction management, which is based on seeking risk-adjusted performance. Investors having a clear and thorough view of the risks and opportunities of a specific country have a comprehensive source of information to assess whether the companies active in that particular country may be successful. The quality of a financial investment is judged, among other things, by the characteristics of the markets the company operates in and of the specific circumstances of those countries.

III. Country sustainability

1. What is sustainability?

Sustainable development meets the needs of the present generation without compromising the ability of future generations to meet their own needs.

Sustainability at country level differs from sustainability at company level. **A sustainable country is committed to fully ensuring the freedom of its citizens and invests in their personal development and welfare. It respects the environment and is reliable in terms of international responsibilities and commitments. It ensures its future and invests in future generations (education and innovation).**

2.How to measure the sustainability of a country?

Three main approaches are used to measure the sustainability of a country:

1. **The legal approach**, with the emphasis on treaties and offences related to government actions. It should be noted however that agreement on treaties is not always fully binding and there is often no penalty where violations occur.

2. **The extreme stakeholder approach**, the problem with this approach is the importance of the number of stakeholders and parameters to be considered, giving rise to the possible dilution and irrelevance of indicators.

3. **The exclusion approach**, this consists of exclusions based on controversial activities, examples being whale hunting and deforestation.

These approaches raise the issue of the moral threshold level; this is complicated as it is a subjective question.

IV. DPAM Country Sustainability Model

1. Key principles

Lack of information and an associated model encouraged DPAM to develop **an in-house research model in 2007**. Given the subjectivity of the issues, key principles were defined from the beginning:

01   **Existence of an advisory board:** including external specialists, providing input to the model.

02   **Assessment of the commitment of the country to its sustainable development:** variables on which the country can have influence through decisions.

03   **Comparability and objectivity:** criteria are numeric data, available from reliable sources and comparable for all countries.

2. FISAB
(Fixed Income Sustainability
Advisory Board)

The role of the FISAB is:

01 To select the sustainable criteria which fulfil the key principles and are the most relevant in the framework of sustainability assessment.

02 To determine the weights attributed to each indicator.

03 To critically and accurately review the model and the ranking to ensure continuous improvement.

04 To validate the ranking of the developed economies.

The FISAB consists of six voting members, half external experts. The complementary background of the members guarantees a high level of expertise and knowledge of the issues in constructing the most relevant model. The objective of the board is to raise awareness on ESG issues among the portfolio management teams.

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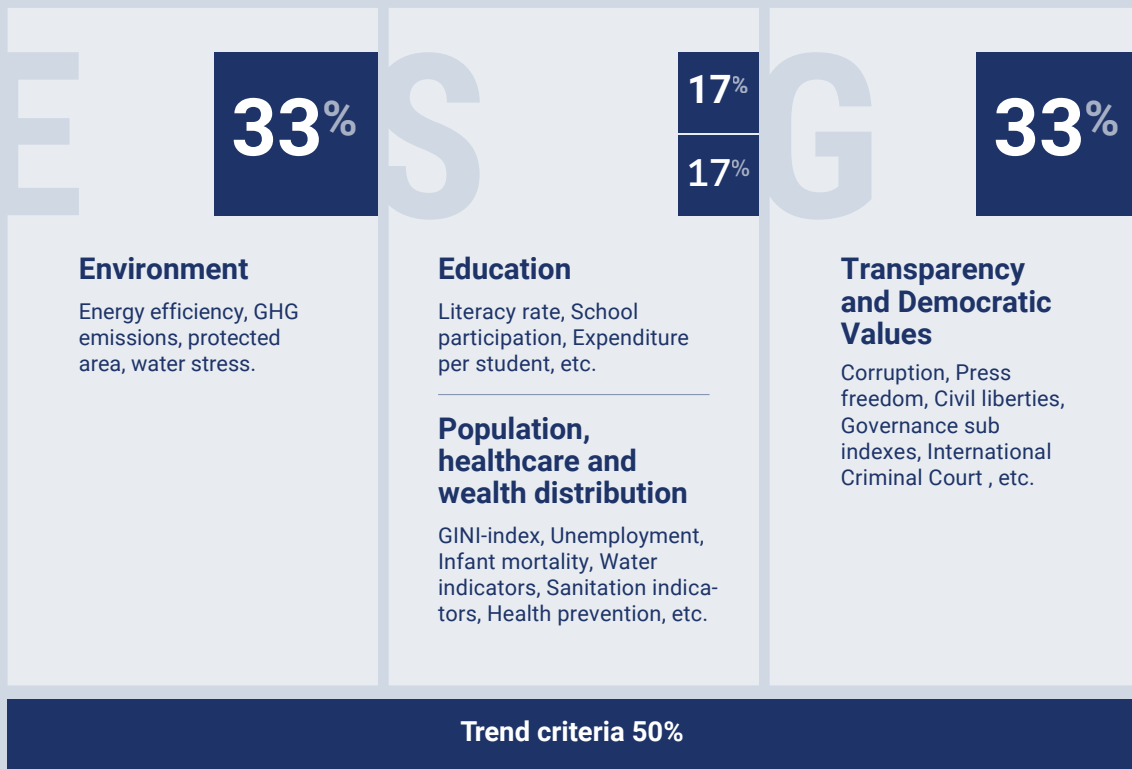Economist
Degroof Petercam

Internal members

3. Selective and objective criteria

The framework of the sustainability model includes the capabilities governments can use to influence policy (authorities, law). It avoids data linked to the geography or population density of the country. The model is quantitative and tracks the current performance of a country, with comparable data. Only a limited number of treaties are considered as they do not guarantee genuine commitment.

4. Best-in-class combined with best approach

Our sustainability analysis focuses on four key ESG drivers which are all assigned a weight in the model:

33%

Environment

Energy efficiency, GHG emissions, protected area, water stress.

17%

17%

Education

Literacy rate, School participation, Expenditure per student, etc.

Population, healthcare and wealth distribution

GINI-index, Unemployment, Infant mortality, Water indicators, Sanitation indicators, Health prevention, etc.

33%

Transparency and Democratic Values

Corruption, Press freedom, Civil liberties, Governance sub indexes, International Criminal Court , etc.

Trend criteria 50%

Source: DPAM

Each key driver considers a variety of different criteria.

Transparency and democratic values takes into account: emigration, gender equality, institutions, international treaties, rights and liberties and security

The environment considers: air quality and emissions, biodiversity, climate change and energy efficiency.

Education and innovation takes into account: equal opportunities, innovation, participation and quality.

Population, health and wealth distribution considers: basic human needs, demography, health and wellness, inequality and labour rights.

Different indicators are chosen to reflect the criteria of each key driver. The model has over 50 indicators.

Each country receives a score ranging from 0 (worst) to 100 (best) based on its relative position compared to other countries (the comparison to the difference between the maximum and the minimum).

For binary criterion such as the signing of the Ottawa Convention a score of either 0 or 100 will apply.

The final score of a country is equal to the weighted average of the scores on each criterion, using the weights which are decided by the Fixed Income Sustainability Advisory Board. The final scoring is rounded up.

Progress and improvement are taken into consideration through a trend component with a 50% weight which enables us to reward countries that have just started their sustainability journey but are rapidly improving. Conversely, sustainable countries which rank well can not rely on past performance but should remain ambitious and improve over time.

The approach is dynamic as the criteria are reviewed twice annually, with the intention of selecting the most appropriate criteria for each domain. An indicator may be replaced, adapted or omitted. New indicators can enter the model and the allocation of the weightings may also vary.

V. Holistic view and Engagement

The indicators used in the model take into account the **three key dimensions of sustainability (environment, social and governance)**. Each dimension is equally important, but the three are interconnected .

In recent years, we have witnessed several disruptions and even contradictions regarding governance, social concerns and environmental issues. Therefore sustainability analysis at country level has been essential in creating an integrated model.

Governance
In terms of governance, the strength of governing institutions is a key indicator to ensure the reliability and stability of the policies and programs a country has adopted. These enable countries to face internal and/or external challenges and obstacles.

Social
As a lack of credible and meaningful policies can impact the social stability of a country sound corporate governance is essential. At the same time, social instability weighs on the long-term growth potential and economic development of a country.

Environment
In terms of the environment the model considers GHG intensity, air quality and biodiversity, among other criteria. The example of citizens, through NGOs, suing States for a lack of responsibility in their environmental ambition and emissions targets – is testament to the strong relationship between governance and the environment.

1. The model predates the Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs), which followed on from the Millennium Development Goals, were launched by the United Nations between 2000 and 2015 and advocate for sustainable development in the economic, social and environmental domains. These goals reaffirm human rights and the intention to eradicate poverty, hunger and inequality by the end of 2030.

The 17 SDGs have been adopted by nearly 200 countries. They present a unique opportunity to channel more investment towards major environmental and social challenges.

DPAM is proud of its pioneering sustainability model that predates the SDGs. The SDGs are much more than a different framework for communicating our ESG and sustainable investment philosophy. We review the country model, taking into account the SDGs, to increase its relevance and to better integrate these objectives in our investment decisions.

E 33% **S 17% 17%** **G 33%**

Environment

Energy efficiency, GHG emissions, protected area, water stress.

Education

Literacy rate, School participation, Expenditure per student, etc.

Population, healthcare and wealth distribution

GINI-index, Unemployment, Infant mortality, Water indicators, Sanitation indicators, Health prevention, etc.

Transparency and Democratic Values

Corruption, Press freedom, Civil liberties, Governance sub indexes, ICC, etc.

4 QUALITY EDUCATION
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

1 NO POVERTY

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
5 GENDER EQUALITY

13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
6 CLEAN WATER AND SANITATION
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Trend criteria 50%

Source: DPAM

VI. International and Engagement

1. Sources are internationally recognised

The model aims for the highest possible level of **objectivity.** Accordingly, statistical data to support the analysis of the country's sustainability are mainly collected from government databases and international governmental agencies such as the International Energy Agency, the World Bank, the International Monetary Fund, the United Nations Development Programme and the US Central Intelligence Agency. Data are complemented by information drawn from leading non-governmental organisations such as Freedom House, Transparency International and the World Economic Forum.

2. Engaging with countries as sovereign bond holders

Dialogue with the stakeholders is at the heart of our fundamental research and investment process. Engaging in dialogue is a means to fine-tune fundamental research-driven investment decisions and to spread best practice and innovative solutions to ESG challenges.

DPAM uses engagement as a due diligence process, integrated in our commitment to be active, sustainable and research driven.

Engaging with sovereigns allows us to actively contribute to the promotion of responsible governance and sustainable development and DPAM is convinced of the important role **sovereign bonds** play as a means of financing the transition to a low carbon economy.

An engagement is meaningful as soon as it has an impact, for example, when it leads to change and progress. However, we use a different approach when engaging with countries than when engaging with companies. **Engagement with sovereign bond issuers is based on dialogue** for mutual learning and it therefore aims to provide an exchange of information and best practice.

The dialogue is structured according to a multi-step process that progresses from awareness raising to focusing on the Paris Agreement's strategy and commitments. Our primary objective is to raise awareness among governments about the importance of ESG integration, including in sovereign bond investments.

ESG factors provide a robust view on a country's risk profile, shedding light on how countries are managing environmental challenges, social inequalities and governance structures.

1. In the first phase of an engagement our role is to **emphasise that investors consider ESG criteria** in their investment decisions to indirectly encourage the adoption of policies that foster sustainable development.

2. In the second phase, **we introduce DPAM's proprietary country model.** We explain how it works, what DPAM learns from it and in particular we discuss the scorecards DPAM produces for each of the countries eligible for investment. In this way, we highlight countries strengths and areas for attention, while gathering their feedback for a mutual exchange of information.

3. The third phase of engagement focuses on **the importance of green finance** and the country's potential in financing the transition. We highlight DPAM's expectations regarding the use of the proceeds from bonds and share our expectations on the qualities of or improvements possible to green finance frameworks.

Finally, we have an exchange about **a country's alignment with the Paris Agreement** and its ambition to reach Net Zero by 2050. Almost all countries have committed to achieve carbon neutrality by 2050, however it is important to assess the credibility of their claims and their pathway to reach this target.

The discussion about credible paths to alignment with the goals of the Paris Agreement is key for DPAM as a signatory of the Net Zero Asset Managers Initiative. Although sovereign bonds are typically out of the scope of such initiatives, we remain convinced of the importance of this asset class and therefore seek its alignment with our commitments.

For more information about how we engage with countries and examples, please see our **Engagement Policy** and **Engagement Activity Report**.

VII. Thematic Focus: Weeding out the myths around pesticides

1. Pesticides

Pesticides come in many shapes and forms, but all aim to protect crops. Conventional pesticides usually contain synthetic chemicals, whereas organic pesticides are derived from natural sources to avoid manufactured compounds. The most commonly used subcategory of pesticides are herbicides, which are used to control or destroy weeds and other unwanted vegetation. Insecticides are used to control and kill insects and commonly used in agriculture or households. Other pesticides to control fungi, worms, rodents, snails, viruses, algae, or bacteria also exist.

From an environmental perspective, pesticides come with both advantages and disadvantages. The use of pesticides can safeguard crops from pests, diseases and weeds, which helps farmers to grow more food on limited land. Consequently, by preventing crop losses, **pesticides maximise land productivity and crop yields. This results in higher food production and a stable food supply for growing populations.** According to the Food and Agriculture Organization of the United Nations, the production of rice, a resource that feeds almost half of the world's population, has more than tripled since 1960. **Overall, pesticides cost effectively reduce the risk of variable food supply** by avoiding the need for replanting, additional labour or other costly measures. This contributes to lower food production costs for farmers and more affordable food, resulting in diverse and nutritious diets. In summary, pesticides are essential for sustainable agriculture by limiting the land required to grow crops and for food security by increasing food supply and reducing its variability due to crop losses.

However, a balance should be found between protecting crops and minimising the risks to the environment and human health as the use of pesticides presents some health risks to humans and animals through food consumption, direct contact, or leakage.

Pesticides affect species that are not targeted, which might, long-term, cause a negative spiral as bees and butterflies play a crucial role in the pollination of crops. As these species directly contribute to increased food production, this unwanted side-effect might indirectly lead to the increased use of chemicals such as pesticides and fertilisers, to compensate for lower pollination.

In addition to impacting non-target species, pesticides might also drift from targeted areas affecting different locations and organisms. This is a plausible cause for **human poisonings, chronic health effects** (endocrine disrupting effects, immunotoxic effects, reproductive effects) and **water pollution** (including drinking water). Lastly, when used abundantly the targeted pests can develop resistance to pesticides over time, which makes pesticides less effective.

Responsible pesticide management and sustainable practices are essential for human and environmental long-term well-being.

2. The critical role of pesticides for the Sustainable Development Goals

Pesticide use contributes directly to the achievement of SDG2 (No Hunger), which aims to end hunger, achieve food security and improve nutrition and promote sustainable agriculture, by 2030. Indeed, by reducing crop loss and increasing crop yields in a limited land area, pesticides support agricultural productivity and food security for all. Furthermore, by decreasing the necessary land required to grow crops, pesticides prevent deforestation which is beneficial for SDG 13 (Climate Action) as forests act as carbon sinks to combat climate change.

However, pesticides also present certain risks for the environment, notably by harming the effective functioning of ecosystems and impacting non-target species, which negatively contributes to the achievement of SDG 15 (Life on Land). This latter goal aims to protect, restore and promote the sustainable use of terrestrial ecosystems and halt biodiversity loss. In addition, pesticides are a potential cause of water pollution and soil pollution, negatively affecting the progress towards SDG 6 which aims for clean water and sanitation. In addition to ecosystem health, repeated exposure to certain pesticides might also lead to harmful chronic effects on human health including: toxicity for a fetus, genetic changes and nerve disorders, etc. This negatively impacts the targets of SDG 3 (Good Health and Well-Being). To maintain food security and decent crop yields pesticides are necessary, however, they should be used with precaution and in a sustainable manner.

3. Pesticides risks in a global context and their contribution to biodiversity loss

The risks from pesticides haven been recognised in a global context through their inclusion in the Kunming-Montreal Global Biodiversity Framework (GBF). This framework, which was agreed upon at COP15, outlines 23 action-oriented global targets to restore ecosystems and halt biodiversity loss by 2030. It is commonly seen as "the Paris Agreement for nature". **In the GBF, Target 7 focuses on pesticides and their risks by aiming to "reduce pollution to levels that are not harmful to biodiversity" by 2030.**

As highlighted by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, **pollution is one of the main drivers of biodiversity loss.** Globally, pollution from nutrients including nitrogen and phosphorus, pesticides and highly hazardous chemicals and plastics has been found to have particularly harmful impacts on biodiversity and ecosystem functions and services. **DPAM's proprietary country model has therefore been complemented by an additional biodiversity indicator which measures pesticides use per crop area** (a complementary indicator included in the GBF framework). Indeed, countries, by setting thresholds and by promoting alternative models of agriculture in their policies, can **halt biodiversity loss** and contribute to the achievement of Target 7.

The inclusion of this new indicator was the result of extensive research and debate, in DPAM's FISAB, on the equity of such an indicator, especially for emerging countries which are still heavily reliant on viable crop yields for their economic growth. Nevertheless, to compare countries and assess their efforts to preserve biodiversity, pesticide use is a better proxy than fertiliser use, as the latter is highly dependent on soil quality.

Yet the GBF's target is more comprehensive than only the use of chemicals as it includes (a) reducing excess nutrients lost to the environment by at least half including through more efficient nutrient cycling and use; (b) reducing the overall risk from pesticides and highly hazardous chemicals by at least half including through integrated pest management, based on science, taking into account food security and livelihoods; and (c) preventing, reducing, and working towards eliminating plastic pollution. Therefore, the target focuses on the risks and negative impacts in addition to the absolute amount of pesticides used. Another indicator or a more comprehensive indicator accounting for these risks might be added to the country sustainability model in the future, especially as the monitoring framework (of the GBF), including the list of indicators, is not yet complete and is a topic for negotiation in advance of COP16 for biodiversity.

Taking pesticide risks into account is crucial for sovereign policies regarding pesticides, as 64% of global agricultural land is at risk for pesticide pollution and 31% is at high risk, please see the graph below. Most importantly, 34% of these high-risk regions are high biodiversity areas. There regions are at risk of irreversible ecosystem damage as a result of pesticide use and should therefore be the priority. The third component of the target focusing on plastic pollution is already proxied in DPAM's country model by an indicator on the mismanagement of plastic waste at the sovereign level.

Pesticide risks on a global scale
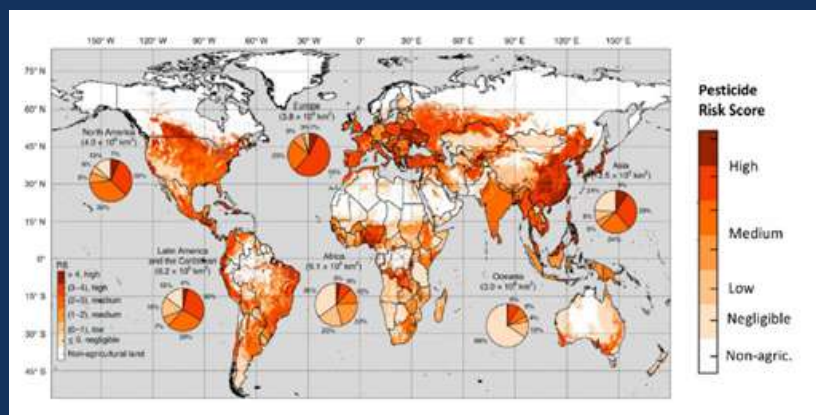
Source: Secretariat of the Convention on Biological Diversity. Science Brief for Target 7 of the Post-2020 Global Biodiversity Framework. 2022.

To conclude, pesticides still play a crucial role for the food security of the global population, however pesticide use also comes with environmental and social risks. Therefore, an indicator to assess a country's efforts to preserve biodiversity has been implemented in our country sustainability model, whereby a country using fewer pesticides per area of cropland will be rewarded. To complement this the Global Hunger Index, assessing the level of food insecurity in that country, is included to monitor population health and well being.

Reference Sources

Amnesty International

Energy Institute

Freedom House

Global Forest Watch

Global Hunger Index

Global Safety Net

International Criminal Court

International Labour Organisation

International Monetary Fund

Notre Dame Global Adaptation Initiative

Plasteax

Reporters Without Borders

S&P Global

Social Progress Imperative

The Institute for Economics and Peace

Transparency International

Unitited Nations Development Programme – Human Development Reports

United Nations Food and Agriculture Organization Aquastat

United Nations Food and Agriculture Organization Stat

United Nations Office for Disarmament Affairs

United Nations SDG Indicators Platform

United Nations Treaty Collection

World Bank

World Health Organisation

VIII. Commitment to Sustainability

DPAM is committed to being a sustainable actor, investor and partner. We seek to advance to thrive, ensuring growth that benefits clients, stakeholders and society as a whole. We believe that being a responsible investor goes beyond offering sustainable and responsible products; it is a global commitment at company level translated into a coherent approach.

DPAM is committed to act as a sustainable and responsible market participant. Our engagement is threefold:

Defend the basic and fundamental rights
Human Rights, Labour Rights, Fight against Corruption and Protection of the Environment

Express an opinion on controversial activities
- No financing of the usual suspects
- Clear controversial activity policy and engagement on controversial issues
- Avoid controversies that may affect reputation, long term growth and investments

Be a responsible stakeholder and promote transparency
- Find sustainable solutions to ESG challenges
- Engage with issuers, promote best practice and improvements

We are convinced of the risk/return optimisation that comes with the **integration of Environmental, Social Governance (ESG) criteria**. We see sustainability challenges as risks and opportunities and we use ESG criteria to assess them in our investment decisions. As a result we define the ESG factors priorities and targets that are material for us. We are committed to the European Commission's 2030-2050 program for sustainable and inclusive growth.

1. Conviction & commitment

Recent decades have brought many challenges and we firmly believe that **sound corporate governance, a clear understanding of current and future environmental challenges and respect for social norms** are drivers for long-term sustainable performance. This vision is integrated in our mission and value statement.

Our goal is to offer first-rate expertise and to uphold our shared values and beliefs. Environmental, Social and Governance (ESG) considerations are integrated into our value proposition, **our fundamental research and our investment processes.**

2. Member & signatory

To affirm our commitment to long-term sustainable financial management, we are a signatory to various organisations. These all advocate responsible investment and offer insights into ESG challenges and opportunities.

We are part of two key initiatives on shareholder responsibility and the fight against climate change: the PRI (since 2011) and the Net Zero Asset Managers initiative (since 2022).

We have been supporters of **the TCFD recommendations** since 2018. In addition, we joined Climate Action 100+ in 2019. That same year, we also became a signatory of **FAIRR**, a collaborative engagement initiative which seeks to decrease the environmental impact of the food value chain by encouraging the use of sustainable proteins within food products.

As the environment and biodiversity are such urgent global concerns, we have been supporters of **the Finance for Biodiversity Pledge** since December 2020. This Pledge calls on global leaders to protect and restore biodiversity through their financial activities and investments decisions.

DPAM is also a member of t**he Emerging Markets Investor Alliance**. This Is a not-for-profit organisation that enables institutional emerging market investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest. The Alliance seeks to raise awareness and advocate for these issues through collaboration among investors, companies or governments, and public policy experts.

In 2023, we engaged in two collaborative initiatives: **Advance** (a stewardship initiative for human rights and social issues launched by the UN-PRI); and **IIGCC** (The Institutional Investors Group on Climate change). The Advance initiative primarily seeks change through investors' use of influence with portfolio companies. DPAM's involvement is primarily on access to research, acting as the lead investor for EDP and Acciona, and in endorsing the initiative with public

policy makers. IIGCC is the European membership body for investor collaboration on climate change. Their main objective is shaping sustainable finance and climate policy, supporting market development, and guiding investors in managing climate risks and opportunities in aligning portfolios with climate goals, among others. DPAM's involvement is linked to its commitment to the **Net Zero Asset Management initiative.**

3. Facts & Figures

A growing focus on sustainable investing for over 20 years

Pioneer in sustainable sovereign debt over EUR 5 bn invested

(as of end of December 2023)

Signatory of UN-PRI since 2011
Top rating for the seventh consecutive year

EUR 20.8 Bn is compliant with SFDR 8+ & 9 funds across various asset classes

(as of end of December 2023)

Exercise our voting rights **across 299 companies** globally

DPAM Corporate AuM with SBT (Science Based Targets) or **1.5°C Alignment stands at 57%**

(as of end of December 2023)

Active via collaborative engagements (CA100+, CDP, ADVANCE, etc.)

Active dialogue with **645 companies**

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Country Sustainability Ranking