November 2024

Sustainability ranking

OECD member states

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Contents

I. OECD Universe

1. A pioneer in country sustainability

Since the 2008 sovereign debt crisis and the loss of "risk-free asset" status, countries are increasingly being scrutinised from an environmental, social and governance perspective.

Credit rating agencies now include climate change risk in their assessments. **The holistic sustainability approach developed by DPAM in 2007** remains pioneering today, on the one hand because of the range of interconnected issues it analyses and on the other because of the **17 years of experience and observations** it has brought us, with the help of leading experts, on key subjects such as demographic issues or biodiversity.

2. Sustainability ranking
November 2024

The starting universe is composed of OECD member states and each new member is included in the starting universe. The sustainability ranking allows us to identify the countries which have **fully integrated global challenges** in their development of medium-term objectives.

This complements the information gathered from credit ratings, which are traditionally used to assess the short- and medium-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 the 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; to 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.

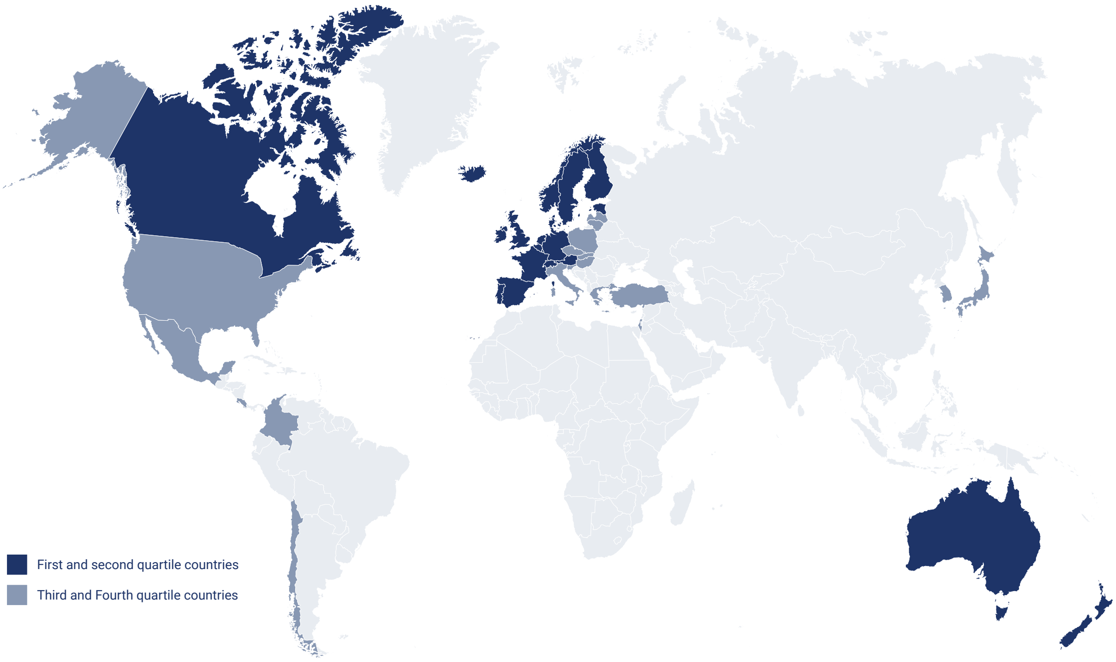
Today we face two scenarios: either business as usual or acceleration of the transition.

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

In Western countries we can currently see 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. For this reason, we constantly review our model, to ensure that it captures the most relevant challenges accurately.

Figure 1. OECD Member States



Source: DPAM, November 2024

Figure 2. Sustainability country ranking of OECD member states

Country	H2 24 #	H2 24 score	H2 23 #	H2 23 score
Norway	1	79	1	80
Denmark	2	77	2	78
Iceland	3	76	4	74
Luxembourg	4	75	10	70
Sweden	5	75	3	74
Finland	6	74	5	73
Ireland	7	73	6	71
Switzerland	8	72	7	71
United Kingdom	9	70	9	70
Austria	10	70	13	68
Germany	11	69	12	68
Netherlands	12	69	11	69
Estonia	13	68	15	66
Australia	14	67	16	66
Spain	15	67	19	62
Portugal	16	67	18	63
Canada	17	67	14	67
New Zealand	18	67	8	71
Belgium	19	66	20	62
France	20	66	17	65

Country	H2 24 #	H2 24 score	H2 23 #	H2 23 score
Lithuania	21	65	21	61
Slovenia	22	64	23	60
Latvia	23	63	22	60
Japan	24	62	24	59
Italy	25	61	29	57
Chile	26	60	26	58
Czech Republic	27	60	27	58
South Korea	28	59	28	57
United States	29	57	25	59
Costa Rica	30	55	32	54
Slovakia	31	55	30	57
Greece	32	55	35	50
Poland	33	55	31	54
Israel	34	54	34	52
Hungary	35	53	33	52
Colombia	36	47	36	43
Mexico	37	42	37	39
Turkey	38	39	38	39

Please keep in mind that for year-on-year comparisons, sustainability ranks could be influenced by various factors, such as changes in metrics and data availability.
Israel is ineligible due to its multiple violations of UN resolutions

Source: DPAM, November 2024

II. 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.

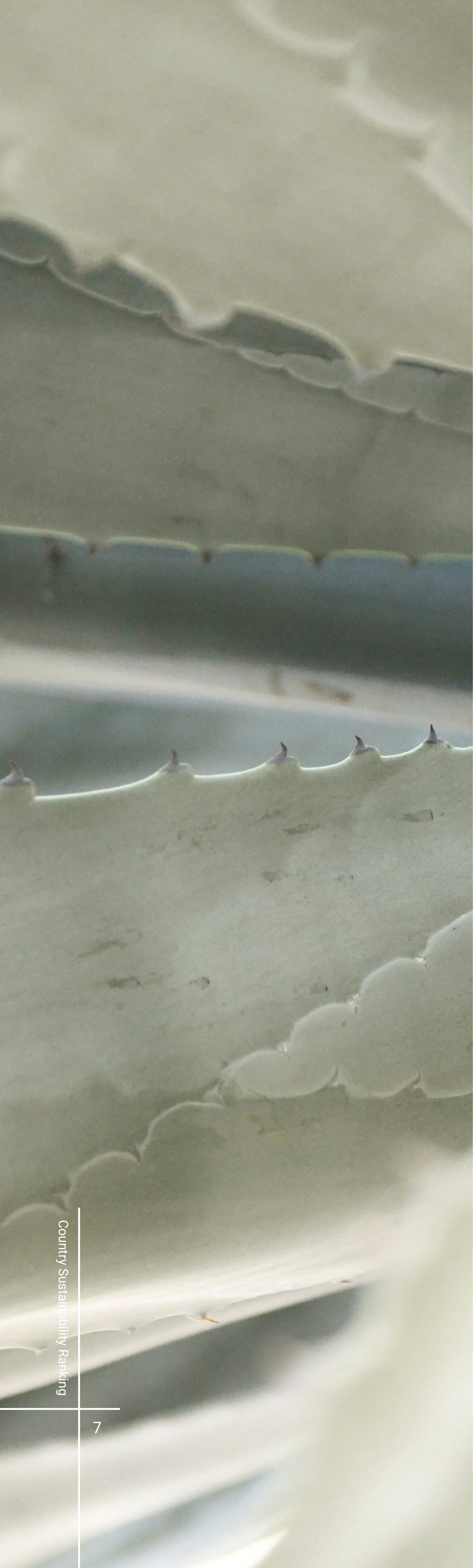
Sustainability at country level differs from sustainability at company level. **A sustainable country is committed to fully ensuring the freedom of its citizens and invests in their personal development and welfare. It respects the environment and is reliable in terms of international responsibilities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



III. 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/Country Sustainability Advisory Board (CSAB))

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 the sustainability assessment of the OECD universe.

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.

External members

Aleksandar Rankovic
Researcher at IDDRI
(Institute for Sustainable Development and International Relations)

François Gemenne
Professor at Sciences Po
(Paris) & ULB (Brussels)

Jan Schaerlaekens
Deputy at
Brussels Parliament

Ophélie Mortier
Chief Sustainable Investment Officer
DPAM

Ives Hup
Global Key Accounts Coordinator
DPAM

Celine Boulenger
Economist
Degroof Petercam

Internal members

3. Selective and objective criteria

The framework of the sustainability model includes the capabilities which 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. Norms-screening: violation of international treaties

The EU have issued guidelines on the occupied territories (2013/C 205/05). These make clear 'the non-recognition by the EU of Israel's sovereignty over the territories occupied by Israel since 1967'. The FISAB is aware that Israel claims that there is no violation of international law because the Fourth Geneva convention does not apply to the territories occupied in the 1967 six-day war. However, the United Nations Security Council, the United Nations General Assembly, the International Court of Justice, the International Committee of the Red Cross and the High Contracting Parties to the Convention have all affirmed that the convention applies. As the EU takes the view that there is a violation of international law Israel is ineligible.

5. 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:

E — 33%

Environment

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

S — 17% / 17%

Education / Innovation

PISA survey, Tertiary school participation, Expenditure per student, etc.

Population, healthcare and wealth distribution

GINI-index, Healthcare spending, Poverty, Wealth, etc.

G — 33%

Transparency and Democratic values

Corruption, Press freedom, Civil liberties, Governance sub indexes, Women rights, etc.

Trend criteria 50%

Source: DPAM

Each key driver considers a variety of different criteria.

Transparency and democratic values takes into account: gender equality, institutions, international treaties, rights and liberties, security and tolerance and inclusion of migrants.

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

Education and innovation takes into account: access to advanced education and ICT, equal opportunities, innovation, investment and quality of education.

Population, health and wealth distribution considers: demography, health and wellness, inequality and life satisfaction.

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.

IV. 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.

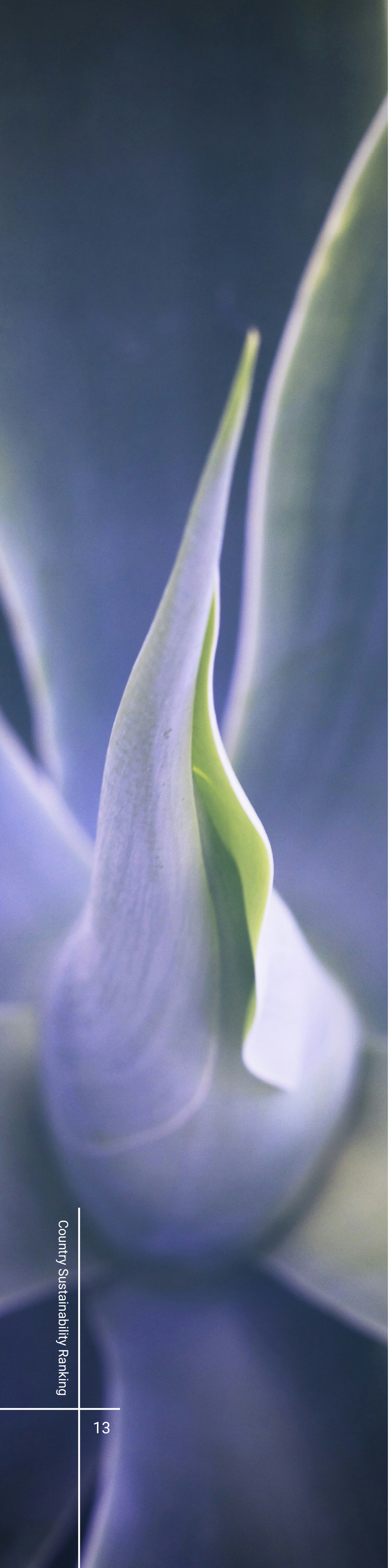
1. The model predates the Sustainable Development Goals

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 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.

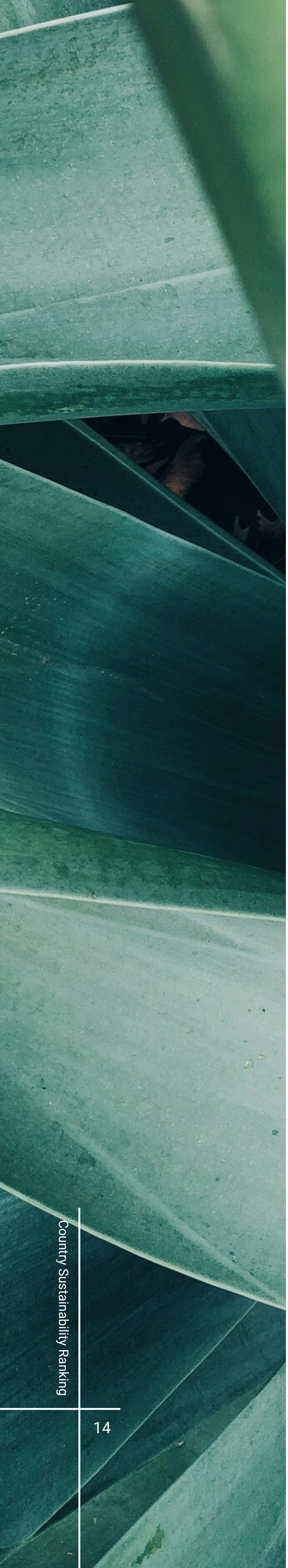
Source: DPAM



V. 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. Country Focus: France

France – sustainability scorecard 2024

In recent rankings, France's position in the second quartile of the 38 OECD member states, has remained steady although its ranking has slightly declined from 17th in the first half of 2024, to 20th in the second half.

Despite this shift, France has performed strongly in key areas such as the Environment, Transparency and Democratic Values, and Education. However, challenges remain, particularly in the Population, Healthcare, and Wealth Distribution pillar, where recent changes to the model's indicators reveal areas of underperformance compared to other developed nations in the universe considered. These trends mirror broader domestic challenges that France faces, including an aging population, the failure to meet basic human needs for a portion of the population and wealth inequality. The following review will explore the details behind the rankings and the factors influencing France's position.

France – sustainability scorecard 2024

FRANCE

	Score	Rank	Strength/Weakness
	65.7	**20**	

	Score	Rank	Strength/Weakness
TRANSPARENCY AND DEMOCRATIC VALUES	**71.4%**	**23**	
Tolerance for & Inclusion of immigrants	49.7%	19	
Gender equality	69.5%	23	
Institutions	69.5%	16	
International treaties	89.5%	17	
Rights & liberties	82.6%	27	
Security	33.7%	37	

	Score	Rank	Strength/Weakness
POPULATION - HEALTHCARE AND WEALTH DISTRIBUTION	**61.3%**	**27**	
Life satisfaction	65.2%	21	
Demography	46.7%	32	
Health & wellness	87.6%	4	
Inequality	59.3%	24	
Basic human needs	54.1%	32	

	Score	Rank	Strength/Weakness
ENVIRONMENT	**68.8%**	**9**	
Air quality & emissions	71.1%	14	
Biodiversity	64.0%	6	
Climate change	65.2%	17	
Energy efficiency	77.6%	17	

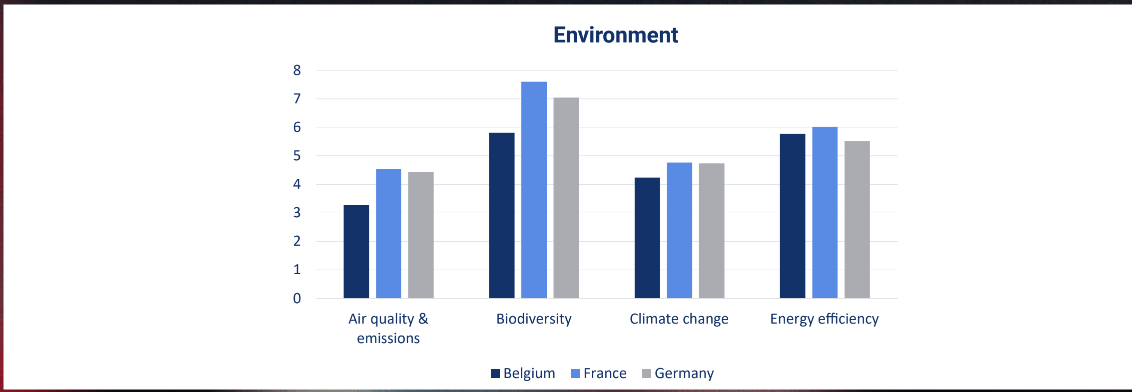
	Score	Rank	Strength/Weakness
EDUCATION / INNOVATION	**52.3%**	**23**	
Access to advanced education and ICT	47.5%	27	
Equal opportunities	62.1%	16	
Innovation	44.1%	19	
Investments	53.0%	14	
Quality	47.3%	28	

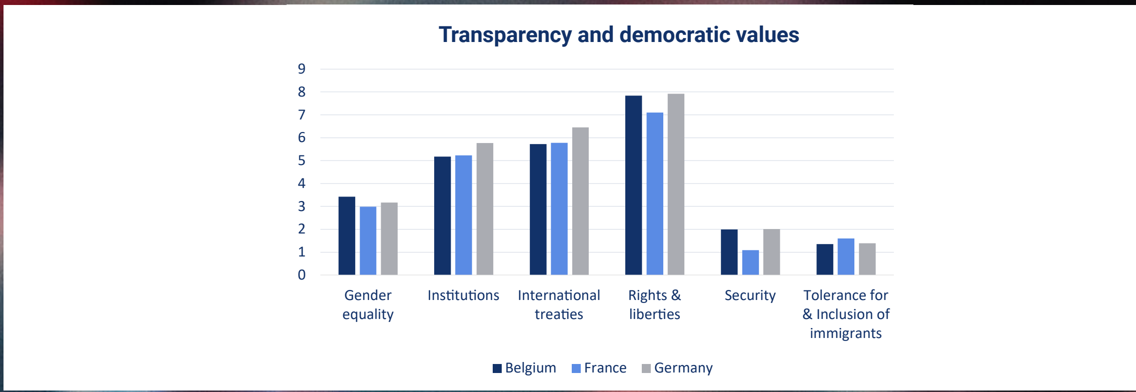
Quartile 1	Quartile 2	Quartile 3	Quartile 4
1-10	11-20	21-28	29-38

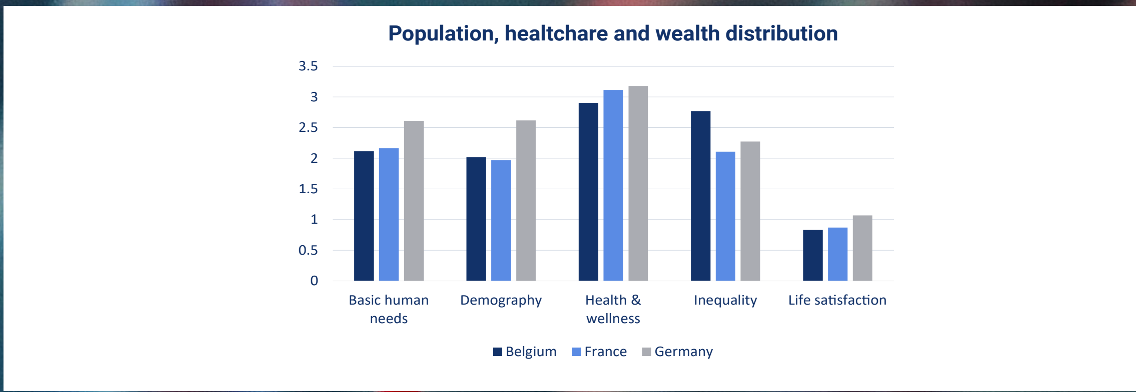
Source: DPAM

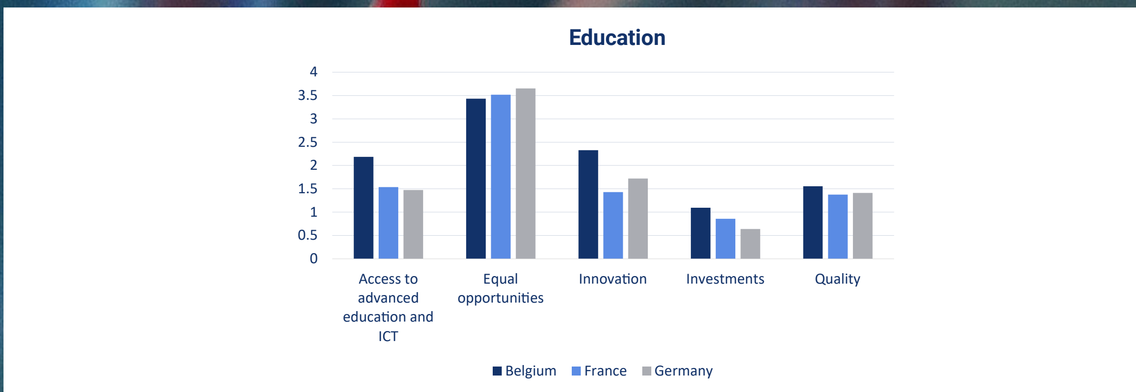
1. Comparison with its peers

France is close to Belgium and Germany geographically but also in terms of sustainable performance. The three are committed to renewable energy, the circular economy and the EU's climate goals and all focus on reducing carbon emissions, transitioning to cleaner energy sources like wind, solar, and nuclear and promoting sustainable transport. They are key players in the EU's Green Deal, aiming for net-zero emissions by 2050. Additionally, they collaborate on biodiversity conservation and green finance initiatives, meaning that they are aligned in advancing sustainability across Europe and among peers.

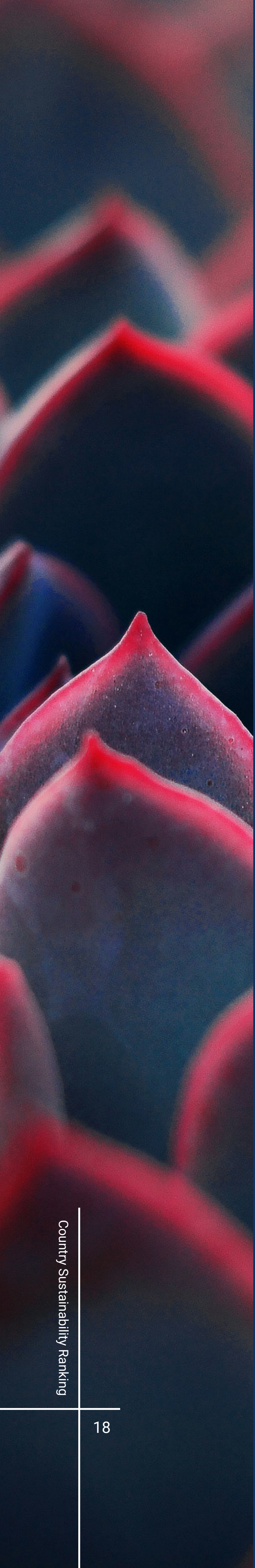








Source: DPAM



2. Focus on ESG dimensions

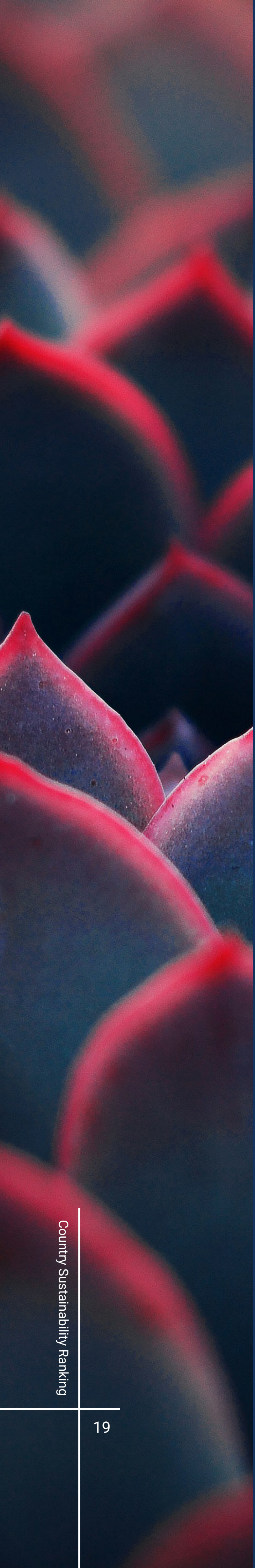
Environment

Some modifications to the **Climate Change** theme of DPAM's country model have been implemented in the second half of 2024. The previous climate policy indicator from the Climate Change Performance Index has been replaced by a sub-score from the Paris Performance Ranking, a joint initiative between the Hugo Observatory at the University of Liege and DPAM. This sub-score measures the alignment between a country's projected emissions for 2030 (current policy scenario) and its national 1.5-degree pathway. France ranks 24th on this indicator.

In terms of **readiness for climate change**, France's ranking has improved, although its score has decreased. Reports from the World Bank and the European Commission indicate that Europe is underprepared for climate change, with projections of a 7% GDP loss by the 2030s due to climate-related disasters. Similarly, France's High Council for Climate highlights insufficient action on greenhouse gas emissions, warning of escalating climate impacts and the urgent need for more robust economic policies and emergency measures.

Despite the EU's 'Fit for 55' initiative, the pace of emission reductions in France and across the EU is insufficient to meet the 2030 targets. However, France has made progress, achieving a 23% reduction in emissions since 2005, supported by a low-carbon electricity mix. To mitigate the risks and costs associated with the transition to a low-carbon economy, France has implemented green spending measures and is considering policies such as distance-based road charges and increased carbon pricing. France's leadership in global climate mitigation efforts remains crucial, but achieving its climate goals will require intensified action and economic reform.

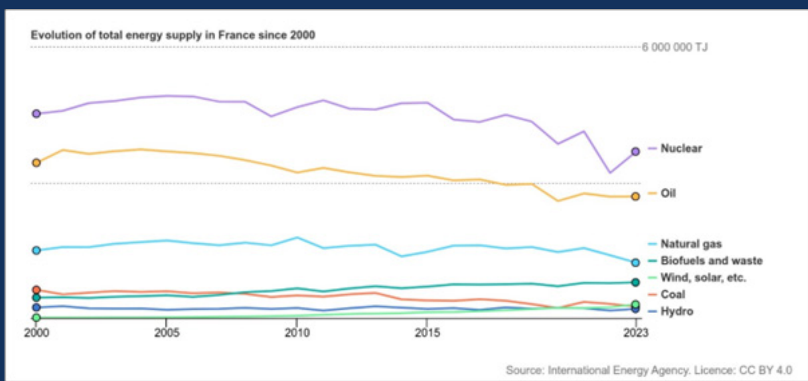
France's ranking for **Air Quality** and emissions remains stable, with current PM2.5 concentrations meeting the World Health Organization's annual air quality guidelines. Good air quality is vital for health and quality of life, as air pollution can lead to heart and lung diseases and even cancer which particularly affect vulnerable groups such as children, pregnant women, the elderly and indigenous peoples. France joined the Climate and Clean Air Coalition (CCAC) in 2012 and has since shown a commitment to reducing short-lived climate pollutants alongside carbon emissions. Paris is a participant in the CCAC-led Breathe Life Campaign, a global initiative aimed at combating the climate and health effects of air pollution, which contributes to an estimated 7 million premature deaths annually. France's air quality policies align with European Union directives and include taxes on vehicle ownership, with companies paying significantly more than individuals. Additionally, France offers one of the highest bonuses in Europe for purchasing zero-emission vehicles and incentives for replacing polluting vehicles, further enhanced by support for the automotive sector and the French recovery plan.



Regarding **Biodiversity,** France performs well across various indicators. France's National Biodiversity Strategy for 2030 aims to implement the international agreement adopted at COP15 in Montreal and to uphold France's commitment to biodiversity. It outlines the path to achieve the 2050 ambitions set by the Global Biodiversity Framework. Strong commitments have also been made by France, in coordination with the European Union, to:

- Halve the overall risk related to pesticides;
- Restore 30% of degraded terrestrial and marine ecosystems by 2030;
- Protect 30% of national territory, both land and sea, placing 10% under strict protection;
- Halve the introduction of invasive alien species;
- Stop the extinction of species caused by human activities by 2050.

In terms of **Energy Efficiency**, France benefits from a low-carbon electricity mix due to its extensive nuclear capacity, the second largest in the world after the U.S. As an early leader in the energy transition, it set a net-zero emissions target for 2050 through the 2019 Energy and Climate Act and aims to cut greenhouse gas emissions by 55% by 2030. To achieve this, France has developed a national low-carbon strategy that includes five-year carbon budgets and a multiannual energy investment plan. The country is also investing in energy efficiency, developing six new nuclear power plants, expanding renewable energy—especially offshore wind—and enhancing grid flexibility for long-term electricity security.



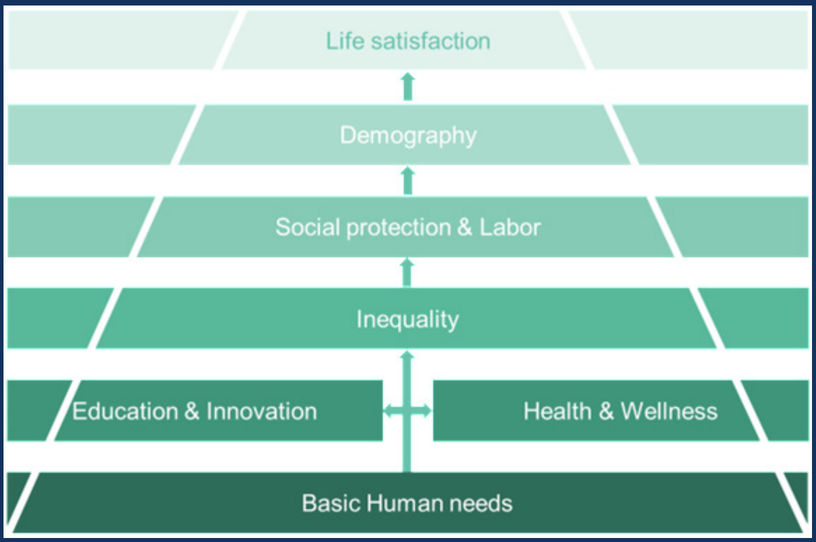
Social

As part of the continuous improvement of the country model, in the latter part of 2024 we have focused on the social component of the model, which has been revised alongside the addition of new indicators.

The first step in this process involved reviewing sources, including those from the OECD, the World Bank, the United Nations and the EU Commission, to understand how each organisation models the social aspect at country level, the indicators they use and their interpretations.

From this comprehensive analysis, a pyramid, as shown below, of the key different social factors can be identified, from 'Basic Human Needs' up to 'Life Satisfaction.' We adopted this structure in our current model to show how these different elements build upon each other. Based on this, all indicators and their weights in the current model have been re-assessed by the FISAB. However, it is important that our country sustainability model closely follows the definition of 'Sustainable Development' defined in the Bruntland report (1987), which highlights the needs of the current generation (represented by the Population, Health and Wealth distribution dimension of the model) and the ones of the future generation (represented by the Education and Innovation dimension of the model).

Visual to represent the social model review



Source: DPAM

Starting from the bottom of the pyramid - the basis for the model - basic human needs is considered as the most important element, followed by education and health, which open the door to more equality, social protection and labour which shape a more efficient demographic structure, ultimately leading to higher life satisfaction. Each level of the pyramid is essential and supports the one above it.

When assessing the health services provided in a country, both health status and health system performance should be considered. The former being a result/output indicator for the latter. A health system is said to be performing well when there is good access to health services of good quality which have good capacity. This will eventually result in a good health status, which can be monitored through maternal mortality, infant mortality and life expectancy.

Population, Healthcare, and Wealth Distribution

In the second half of 2024, four indicators have been added to the country model's Population, Healthcare, and Wealth Distribution pillar. Two of these indicators address gaps in the **Health & Wellness** theme:

- **Government health insurance coverage:** This indicator measures the percentage of the population covered by compulsory health insurance under national programs, which are financed through a mix of government spending, mandatory health insurance, and private funds, including out-of-pocket payments. France excels in this area, as it operates a statutory health insurance system providing universal coverage for all residents.

- **Maternal mortality:** This indicator reflects a woman's health status and the performance of the health system. Complications during pregnancy and childbirth are leading causes of death and disability among women of reproductive age, particularly in developing countries. Maternal mortality is a significant health and development indicator and reducing it is a major global health challenge. France performs exceptionally well in this regard, with a very low maternal mortality ratio.

The other two indicators added to the **Basic Human Needs** theme, which have increased significance in the context of inflation and other factors, are:

- **Housing affordability:** This indicator refers to housing cost overburden rates among low-income populations, measuring the consumption expenditure of households on housing, water, electricity, gas and other fuels as a percentage of their income. France underperforms on this indicator; however, it is taking measures to improve the situation. A French bill aimed at developing affordable housing was presented to the Council of Ministers in May 2024, proposing fourteen measures, including a relaxation of the Loi Solidarité et Renouvellement Urbain and incentives for residential mobility based on income changes. The goal is to create a supply shock to address the housing crisis.

- **Homelessness:** Measuring homelessness and housing affordability in the OECD is essential for tackling immediate socio-economic challenges and advancing SDG 11, which aims to make cities and human settlements inclusive, safe, resilient, and sustainable. In recent years, inflation and economic uncertainty have increased living costs, pushing many individuals and families into housing insecurity globally and within the OECD. As of 2024, the number of homeless individuals in France reached 333,000, with only 87,802 accommodated in May 2024, indicating a need for further improvement. France aims to provide housing for 254,058 people in general shelters. This is aimed at those that declare themselves homeless, that live in makeshift housing or who are within the social housing system.

France's Demographic challenges, such as an increasing age dependency ratio and high unemployment rates, significantly impact **Life Satisfaction**. As the number of retirees rises, the pressure on public resources can lead to a diminished quality of life for older adults who rely on pensions and healthcare. High unemployment, particularly among youth and long-term job seekers, fosters feelings of insecurity and disenfranchisement, which can lower overall happiness. Therefore, policymakers' efforts to enhance job training and support for the unemployed are vital for improving both economic resilience and overall life satisfaction.

Education

The latest OECD Economic Survey of France emphasises that providing quality education to children from an early age is crucial for future economic growth. While French students' performance is comparable to the OECD average, there is a stronger correlation between socio-economic background and educational outcomes. To improve results, it is essential to enhance the attractiveness of the teaching profession, allocate more resources to disadvantaged students, and increase school autonomy and accountability.

Rebalancing education spending toward primary schools could better support young children, addressing performance gaps that often emerge early in their education. Additionally, adopting modern teaching methods, such as cognitive activation practices, could lead to improved learning outcomes.

Recognising the importance of early education, a new indicator has been introduced under the **Equal Opportunities** theme in the Education pillar: **pre-primary education.** Here, France ranks first among OECD countries, in the second half of 2024. The OECD highlights pre-primary education's critical role in improving academic performance and social skills and reducing dropout rates. Early childhood education is especially beneficial for disadvantaged children and helps to close educational gaps and promote social equity. It is increasingly seen as a vital investment worldwide, often referred to as the 'great equaliser' for its potential to enhance future academic success, according to the UNESCO Global Education Monitoring Report. The global education evidence advisory panel, composed of esteemed educational experts, also recognises early education as one of the best investments in the educational field.

Governance - Transparency & Democratic values

France's ranking improved slightly from 24th to 23rd in the second half of 2024.

In terms of **Rights and Liberties**, France ranks among the top two for all indicators except **press freedom**. France faces significant challenges in this area due to increasing media concentration, with 90% of national daily newspapers and all private TV channels controlled by just seven industrialists, which compromises newsroom independence. Despite this issue, the French media receive over a billion euros in public subsidies, leading critics to argue that this distorts competition, particularly against underfunded independent digital media. In response, the French authorities, supported by EU regulations such as the Digital Markets Act and the Digital Services Act, are examining anti-concentration rules for the media. A proposed control system would enable ARCOM, the French media regulator, to assess mergers on a case-by-case basis through qualitative and quantitative analyses, similar to the UK's Ofcom model. These reforms focus on three key areas: ensuring media independence, promoting pluralism in content access, and coordinating with European initiatives like the Media Freedom Act.

In terms of **Gender Equality**, this principle was enshrined in the preamble to the 1946 Constitution. Since then, France has made significant strides in legislation and women's representation in politics. However, in the second half of 2024, indicators for **gender inequality and the gender pay gap** show a decline in global rankings. This drop is partly due to persistent wage disparities, underrepresentation of women in leadership positions in the private sector, and the lingering impacts of the COVID-19 pandemic, which disproportionately affected women in employment and unpaid care work.

To advance women's economic emancipation, the 'Rixain Law' of December 24, 2021, mandates that by 2030, 40% of senior executives in large companies must be women, with non-compliant companies facing financial penalties. Building on this, the law of July 19, 2023, enhances women's access to leadership roles in the public sector by raising the mandatory quota for first-time female appointments to senior and executive positions to 50% and establishing a Professional Equality Index across the three branches of public service.

When it comes to **Tolerance for and Inclusion of Immigrants**, France's position is average in the OECD. The Office for the Protection of Refugees and Stateless Persons reported 142,500 applications in 2023, with the overall protection rate at 31.4% in the first instance and 20.5% at the appeal stage, according to the European Council on Refugees and Exiles. However, there is significant room for improvement in immigrant employment. OECD data indicates that **the employment rate for foreign-born individuals** in France lags behind the average, particularly for non-EU immigrants, who often face language barriers, challenges in the recognition of foreign qualifications and discrimination. Furthermore, many immigrants are overqualified for their current jobs, reflecting a mismatch between their skills and available opportunities. Enhancing policies for better labour market integration and the recognition of foreign qualifications is essential for improving the inclusion of immigrants in the workforce.

While France's score on International Relationships did not significantly change, its ranking has improved relative to other OECD countries. For the **Institutions** theme which includes data on corruption and governance, France's ranking and scores remain stable. However, the country ranks in the lower quartile for **Security**, indicating a clear area for improvement. Significant challenges related to terrorism, organised crime, and civil unrest in recent years contribute to its weaker performance in this domain.

3. France's path to Growth and Sustainability - OECD Economic Survey of France of July 2024

To conclude, the OECD Economic survey of France of July 2024 aligns with the observations presented throughout this report. The survey reinforces the key points discussed for the environment, social and governance themes, providing further evidence and validation of DPAM's analysis.

OECD projections indicate a slowdown in France's GDP growth from 1.1% in 2023 to 0.8% in 2024, with a rebound to 1.3% in 2025. The anticipated decline in growth for 2024 is attributed to higher financing costs, which will restrain private investment and consumption. However, a recovery in 2025 is expected, driven by an improved global economic outlook and increased consumption as inflation eases from 5.7% in 2023 to 2.3% in 2024 and 2.0% in 2025.

The COVID-19 pandemic and the increase in inflation significantly worsened the budget balance and increased public debt, while an aging population is projected to drive up public spending on pensions, healthcare, and long-term care in the coming years. To effectively reduce public debt, additional fiscal consolidation efforts are needed, keeping in mind short-term economic conditions. Measures to contain the public administration wage bill and to streamline social, healthcare, and tax expenditures could help address the deficit. Strengthening the fiscal framework through comprehensive expenditure reviews and binding public spending ceilings is also crucial.

In recent years, France has undertaken significant policy measures to enhance competitiveness and employment, including reducing business taxes and social contributions on low wages, as well as reforms to unemployment benefits, apprenticeships, and vocational training. Future labour market strategies should focus on incentivising older workers' participation and supporting low-skilled youth facing job difficulties. Expanding early childcare services can also enable greater participation by women in the labor market.

Quality early education is vital for future economic growth. Although French students perform at a level similar to the OECD average, socio-economic background has a stronger impact on educational outcomes. Improving results could involve enhancing the attractiveness of the teaching profession, increasing resources for disadvantaged students and promoting school autonomy and accountability. Shifting education funding towards primary schools is essential for addressing early performance gaps and adopting modern teaching methods, such as cognitive activation practices, could further improve learning outcomes.

To meet greenhouse gas emissions targets, France must intensify policy efforts, including the phase out of implicit fossil fuel subsidies and the alignment of carbon prices across sectors. Expanding support for electric charging stations, public transport and alternative modes of transport will be critical for reducing emissions from the transport sector. Additionally, simplifying administrative procedures for public financial support can accelerate thermal renovations and contribute to the decarbonisation of the housing sector.

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United Nations Food and Agriculture Organization Aquastat

United Nations Food and Agriculture Organization Stat

United Nations High Commissioner for Refugees

United Nations Office for Disarmament Affairs

United Nations Peacekeeping

United Nations SDG Indicators Platform

United Nations Treaty Collection

World Bank

World Economic Forum

World Prison Brief

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

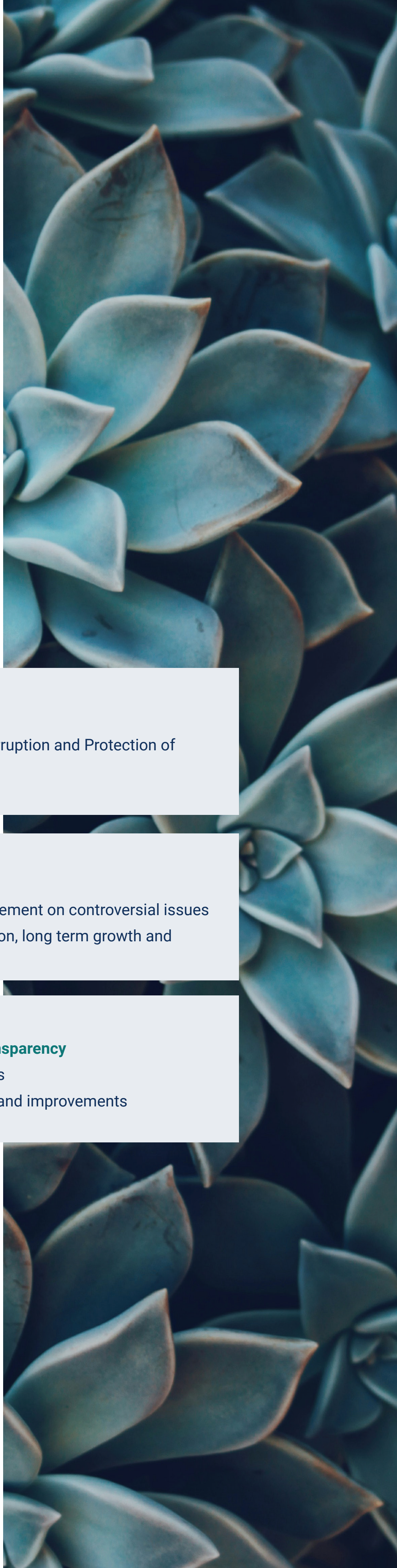
Express an opinion on controversial activities

- 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. 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 **the 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 almost EUR 5 bn invested
(as of end of June 2024)

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

EUR 22.3 Bn is compliant with SFDR 8+ & 9 funds across various asset classes
(as of end of June 2024)

Exercise our voting rights **across 645 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 **299 companies**

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