

ANNEX II

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:

DPAM L BONDS EUR HIGH YIELD SHORT TERM

Legal entity identifier:

549300U2IHEFSZPGWH97

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☒ ☒ ☐ **Yes**

☐ It will make a minimum of **sustainable investments with an environmental objective**: ____%

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective**: ____%

☒ ☐ ☒ **No**

☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☒ It promotes E/S characteristics, but **will not make any sustainable investments**



Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

What environmental and/or social characteristics are promoted by this financial product?

The Sub-fund promotes environmental and social characteristics through a rigorous methodology aimed at:

- defending fundamental rights (human rights, labour rights, anti-corruption and environmental protection) and
- not funding controversial activities and behaviours that could affect the long-term reputation of the investments.
- promoting environmental, social and governance (ESG) best practices.

The Sub-fund has not designated a benchmark to achieve the environmental and social characteristics promoted under Article 8 of the Regulation.

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The sustainability indicators used to measure the attainment of all of the environmental and social characteristics promoted by the Sub-fund correspond to the binding investment restrictions in terms of exposure of the investee companies to certain controversial activities and behaviours:

- a) Zero exposure to companies deemed to be non-compliant with Global Standards;
- b) Zero exposure to companies involved in controversial activities as defined by the Manager's Controversial Activities Policy (available at www.dpamfunds.com);
- c) Zero exposure to companies facing ESG controversies of maximum severity;

for more details, see the section below "What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?"

● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Not applicable. This Sub-fund does not seek to make sustainable investments.

● **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable. This Sub-fund does not seek to make sustainable investments.

● **How have the indicators for adverse impacts on sustainability factors been taken into account?**

Not applicable.

● **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

Not applicable.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes,

the product takes into account all the principal adverse impacts on sustainability factors (hereafter "PAIs") listed in Table 1 of Annex I of the Delegated Regulation (EU) 2022/1288.

The PAIs are intrinsically linked to the Manager's commitment to reduce the negative impact of the Sub-fund's investments by avoiding activities or behaviours that may significantly hinder sustainable and inclusive growth. This commitment is incorporated throughout the research and investment process from its inception.

In concrete terms, PAIs are incorporated into the various stages of upstream Sub-fund construction via exclusions and the resulting eligible universe (i), and through the investment process via fundamental analysis, controversy monitoring and ongoing dialogue with investees (ii):

- 1) Firstly, with regard to environmental PAIs:
 - a) they are analysed and monitored at the level of the investee issuers, particularly with regard to PAIs related to greenhouse gas emissions and energy performance, including through the Manager's research in the context of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).
 - b) after that, the Global Standards compliance filter includes a filter on environmental protection.
 - c) In addition, the screening and analysis based on the main ESG controversies in which companies may be involved also includes controversies related to environmental issues, such as the environmental impact of company operations (emissions, waste, energy use, biodiversity and water consumption), the environmental impact on the supply chain and the impact of products and services (carbon and environmental impact).
- 2) Secondly, social and governance PAIs are systematically analysed throughout the research and investment process:
 - a) the Global Standards compliance filter is structured around human rights, labour rights and the prevention of corruption.
 - b) the exclusion filter for companies involved in controversial activities (in accordance with the Manager's Controversial Activities Policy available at www.dpamfunds.com (Controversial Activities Policy).
 - c) In addition, the screening and analysis based on the main ESG controversies in which companies may be involved also includes controversies related to social issues, i.e. society and community, customer and employee, and controversies related to governance issues such as business ethics, including corruption and bribery.

The Manager's approach and processes are further described in its Sustainable and Responsible Investments Policy and in the TCFD report, which are available at www.dpamfunds.com.

Information on the PAIs taken into consideration by the Sub-fund will be available in the annual report of DPAM L, the SICAV to which the Sub-fund belongs.

☐ No



The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What investment strategy does this financial product follow?

The sub-fund mainly invests in euro-denominated corporate bonds with a low rating. These bonds have a residual term or maturity of less than 4 years. In the active management of the Sub-fund, the Manager selects securities with the potential for an advantageous return in relation to the risk incurred on the basis of a macro-economic and financial analysis. The Sub-fund is actively managed. The Sub-fund may use derivatives to exploit or hedge against market fluctuations, or for efficient portfolio management.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding investment restrictions apply to (a) companies which do not comply with the principles of the Global Standards described below, (b) companies involved in controversial activities, and (c) companies involved in extremely serious controversies:

- a) Compliance of the portfolio with the Global Standards described below: The Sub-fund does not invest in companies that do not comply with the 10 principles of the Global Compact and the Guiding Principles of the United Nations, the ILO instruments, the OECD Multinational Enterprises (MNE) Guidelines and the underlying conventions and treaties.
- b) Exclusion of companies involved in controversial activities: The Sub-fund excludes securities whose activity consists of the manufacture, use or possession of anti-personnel mines, cluster munitions, depleted uranium munitions and armour, chemical or biological weapons. The Sub-fund also excludes securities of companies that have material exposure to the production or distribution of tobacco or raw materials and equipment necessary for the production of tobacco, the extraction of thermal coal, or the generation of electricity from coal.

These exclusions are detailed in the Manager's controversial activities policy (section on "conventional" strategies accessible via www.dpamfunds.com ("Controversial Activities Policy")).

- c) The portfolio's exposure to extremely serious ESG controversies: Issuers facing extremely serious controversies are not eligible for investment.

Exclusion lists of individual companies excluded under criteria (a), (b) and (c) above are regularly updated and are fed into the portfolio investment monitoring systems.

Security exclusions based on the binding criteria of the investment strategy apply both at the time of purchase of a position and during the holding of the position in the portfolio.

Each time a data series is collected, the Manager draws up exclusion lists which are updated at least quarterly and on an ad hoc basis in the event of a deterioration in the position. There is an exclusion list for each binding element and strategy group, and the Manager applies a similar exclusion/restriction threshold for investment. The Manager's risk management department is responsible for applying the necessary prevention (ex-ante risk) and control (ex-post risk) mechanisms to effectively enforce the exclusion lists in the investment portfolios of the Manager's strategies.

The Manager uses ESG research of non-financial rating agencies to assess the seriousness of the controversies to which companies are exposed and excludes the most severe controversies. The Manager also produces internal analyses of the ESG controversies to which companies are exposed. The Manager reserves the right to also exclude companies that it considers to be involved in sufficiently serious controversies.

In the event that a company's ESG profile deteriorates and it is downgraded to Global Standards non-compliant status or an extremely serious controversy regarding the company emerges, the Manager will sell the relevant investment in the interest of the Sub-fund's shareholders within three months.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

Good governance criteria are an integral part of the Manager's active ownership, engagement and sustainable and responsible investment policies and are included in the investment decision process through the different steps described above in the section "What are the binding elements of the investment strategy used to select investments to achieve each of the environmental or social characteristics promoted by this financial product?" The Manager takes these criteria into account in the following way:

- i) Portfolio compliance with Global Standards: Prevention of corruption is one of the four main themes of the 10 principles of the United Nations Global Compact.
- ii) The portfolio's exposure to extremely serious ESG controversies: good governance criteria (business ethics, political lobbying, corporate governance, corruption and accountability of governance bodies with regard to ESG aspects) are analysed for controversies, their severity and corrective measures.
- iii) Qualitative ESG approach: Much of the fundamental research of the Manager is devoted to governance and corporate governance issues.
- iv) The Manager's voting policy helps to promote good corporate governance practices (separation of powers, independence and adequacy of the board of directors, respect for the rights of minority shareholders, quality of internal and external audit, etc.). The Manager's engagement policy is linked to this voting policy and applies its principles.

Governance issues are also an integral part of the monitoring of investments, notably through the Manager's voting policy and engagement policy which are available at www.dpamfunds.com ("Voting policy/Engagement policy").



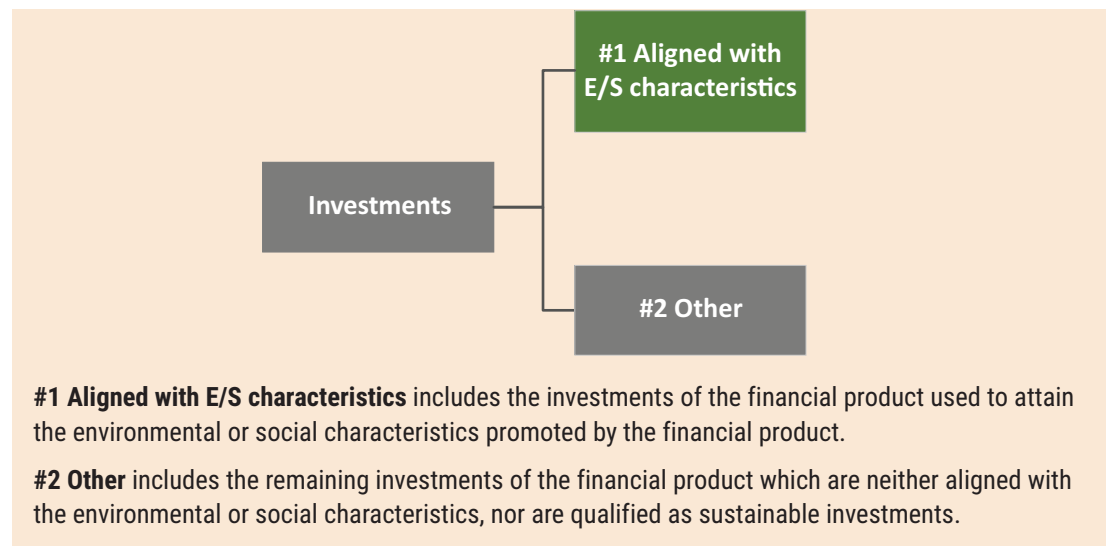
Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

What is the asset allocation planned for this financial product?

By applying the investment strategy described above, the Sub-fund invests a minimum of 80% of its assets in securities that meet the environmental and social characteristics it promotes (in the table referred to as "#1 Aligned with E/S characteristics").



● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivative products, if any, used to achieve the investment objectives will not be used to promote the environmental and/or social aspects.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

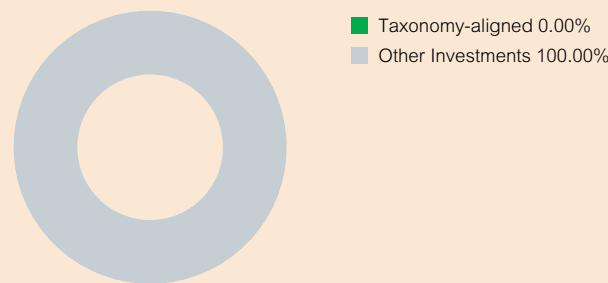


To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

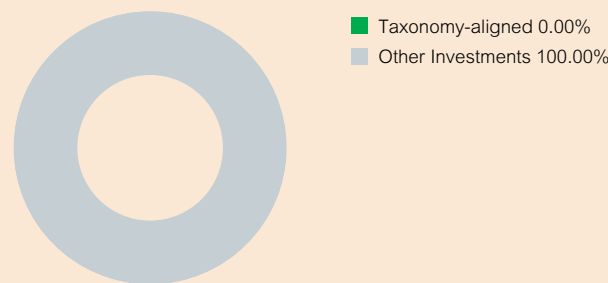
This Sub-fund does not seek to make sustainable investments and makes no commitment to align its investments with the European taxonomy.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*

1. Taxonomy-alignment of investments including sovereign bonds*



2. Taxonomy-alignment of investments excluding sovereign bonds*



**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

● **What is the minimum share of investments in transitional and enabling activities?**

This Sub-fund does not seek to make sustainable investments or invest in enabling and/or transitional activities.



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

This Sub-fund does not seek to make sustainable investments or sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



What is the minimum share of socially sustainable investments?

Sub-fund does not seek to make socially sustainable investments.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Binding ESG screenings carried out in accordance with the investment strategy described above are applied to the whole Fund, excluding the:

- Liquid assets
- Derivative instruments
- Collective investment schemes
- Issuers that do not report sufficient information or are insufficiently covered by ESG research to judge their environmental and/or social characteristics.

The Sub-fund may invest or hold these types of assets for the purpose of achieving investment objectives, portfolio diversification, liquidity management and risk hedging.

This remaining proportion will not exceed 20% of the Sub-fund.

There are no minimum environmental or social guarantees.



Sustainability indicators measure how the sustainable objectives of this financial product are attained.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes

Not applicable.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.



Where can I find more product specific information online?

More product-specific information can be found on the website:

www.dpamfunds.com (Fund/sub-fund/share class/"Sustainability transparency" tab).