



CANDRIAM'S ARTICLE 9 CORE SUSTAINABLE STRATEGIES



Statement of Engagement

Sustainable & Responsible Investment is an essential part of the strategic positioning and behavior of Candriam. We have been involved in SRI since 1996 and welcome the European SRI Transparency Code.

This is our twelfth statement of commitment and covers the period 2020-2021. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

Please note that we have also drafted Transparency codes for:

- Candriam's Sustainable Emerging Markets Equity funds, which invest in sustainable & responsible companies in emerging markets;
- Candriam's Index funds, which incorporate SRI criteria into their investment process, in accordance with a dedicated index management strategy;
- Candriam's SRI ETFs, which factor ESG criteria into their investment process.
- Candriam's Thematic strategies, which includes Climate Change, Circular Economy, Future Mobility and Oncology Impact strategies.
- Candriam's European strategies, which included Europe Innovation & Optimum Quality strategies.
- Candriam's Article 8 Equities, Bonds & Multi-Assets Strategies

The responses to the European SRI Transparency Codes for all the above-mentioned funds are available on our corporate website and our dedicated SRI website: <https://www.candriam.com/en/professional/market-insights/sri-publications/>.

Compliance with the Transparency Code

Candriam is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Candriam meets the full recommendations of the European SRI Transparency Code.

March 2021

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1. List of Funds Covered by the Code

Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	Asset Class	Exclusions standards and norms	Labels
<p><input checked="" type="checkbox"/> Best in class Investment Section - Candriam's Best-In-Class framework comprises positive screening combined with a norms-based and controversial activities exclusion screening.</p> <p><input type="checkbox"/> Engagement & Voting</p> <p><input type="checkbox"/> ESG Integration</p> <p><input checked="" type="checkbox"/> Exclusion</p> <p><input type="checkbox"/> Impact investing</p> <p><input type="checkbox"/> Norms-based Screening</p> <p><input type="checkbox"/> Sustainability Themed</p>	<p>Passively managed</p> <p><input type="checkbox"/> Passive investing – core benchmark: specify the index tracking</p> <p><input type="checkbox"/> Passive investing –ESG/SRI benchmark: specify the index tracking</p> <p>Actively managed</p> <p><input checked="" type="checkbox"/> Shares in a euro area country</p> <p><input checked="" type="checkbox"/> Shares in an EU country</p> <p><input checked="" type="checkbox"/> International Shares</p> <p><input checked="" type="checkbox"/> Bonds and other debt securities denominated in euro</p> <p><input checked="" type="checkbox"/> International bonds and other debt securities</p> <p><input checked="" type="checkbox"/> Monetary assets</p> <p><input checked="" type="checkbox"/> Short-term assets</p> <p><input type="checkbox"/> Structured funds</p>	<p><input checked="" type="checkbox"/> Controversial weapons</p> <p><input checked="" type="checkbox"/> Alcohol</p> <p><input checked="" type="checkbox"/> Tobacco</p> <p><input checked="" type="checkbox"/> Arms</p> <p><input checked="" type="checkbox"/> Nuclear power</p> <p><input checked="" type="checkbox"/> Human rights</p> <p><input checked="" type="checkbox"/> Labour rights</p> <p><input checked="" type="checkbox"/> Gambling</p> <p><input checked="" type="checkbox"/> Pornography</p> <p><input checked="" type="checkbox"/> Animal testing</p> <p><input type="checkbox"/> Conflict minerals</p> <p><input type="checkbox"/> Biodiversity</p> <p><input type="checkbox"/> Deforestation</p> <p><input checked="" type="checkbox"/> CO2 intensive (including coal)</p> <p><input checked="" type="checkbox"/> Genetic engineering</p> <p><input checked="" type="checkbox"/> Global Compact</p> <p><input type="checkbox"/> OECD Guidelines for MNCs</p> <p><input type="checkbox"/> ILO Conventions</p> <p><input checked="" type="checkbox"/> Other (please specify) -Oppressive Regimes - Financial Action Task Force List (countries) -Freedom House (countries) -Unconventional & conventional oil & gas (corporates)</p>	<p><input checked="" type="checkbox"/> French SRI label</p> <p><input type="checkbox"/> French TEEC label</p> <p><input type="checkbox"/> French CIES label</p> <p><input type="checkbox"/> Luxflag Label</p> <p><input type="checkbox"/> FNG Label</p> <p><input type="checkbox"/> Austrian Ecolabel</p> <p><input checked="" type="checkbox"/> Other (please specify) <i>Towards Sustainability (BE)</i></p>

In accordance with legal requirements, please refer to our website to access information regarding specific funds in our Sustainable fund range available in your jurisdiction and information on the corresponding Transparency Code:

- **Belgium:**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/belgium-transparency-codes-fund-registration-table.pdf>

- **Austria:**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/austria-transparency-codes-fund-registration-table.pdf>

- **France:**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/france-transparency-codes-fund-registration-table.pdf>

- **Germany**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/germany-transparency-codes-fund-registration-table.pdf>

- **Ireland**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/ireland-transparency-codes-fund-registration-table.pdf>

- **Italy**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/italy-transparency-codes-fund-registration-table.pdf>

- **Luxembourg**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/luxembourg-transparency-codes-fund-registration-table.pdf>

- **Netherlands**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/netherlands-transparency-codes-fund-registration-table.pdf>

- **Switzerland**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/switzerland-transparency-codes-fund-registration-table.pdf>

- **United Kingdom**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/uk-transparency-codes-fund-registration-table.pdf>

2. General information about the fund management company

2.1. Name of the fund management company that manages the applicant fund(s)

The portfolio management companies that manage the applicant funds are the following:

Candriam Belgium
Avenue des Arts, 58
1000 Brussels – Belgium

Candriam Luxembourg
Serenity Bloc B
19-21 route d'Arlon
L-8009 STRASSEN

Please consult our website for further information: www.candriam.com. This code applies to the Core SRI funds managed by Candriam.

Any question regarding sustainable and responsible investment (SRI) at Candriam can be e-mailed to the following address: investor.support@candriam.com.

The investment firm's SRI assets under management totalled €49.1 billion, i.e. 37% of total AuM, as of December 2020.

2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

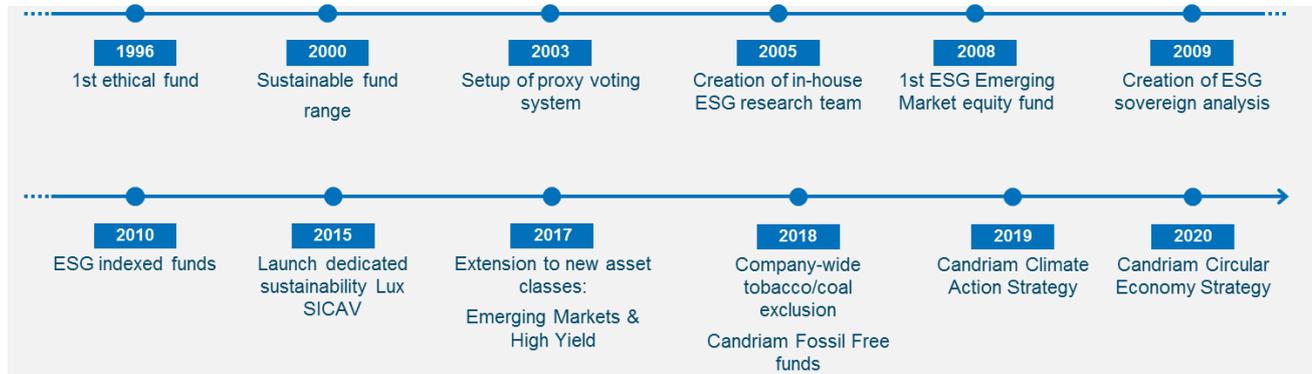
Sustainability is rooted in Candriam's operating model and forms a key part of our corporate culture. Our sustainable development strategy leads us to incorporate the overall trends that will shape the world of tomorrow when defining our strategic operational choices. This strategy aims to establish and maintain a balance between, on the one hand, responsible behaviour towards all stakeholders and, on the other, (a) the synergies between our SRI and traditional investment activities, and (b) the determination to run the company in consideration of the Environment and of Society.

Candriam has been managing Sustainable Investments since 1996. As a responsible asset manager for over two decades, we are committed to the continuous development of our long-standing and holistic Environmental, Social, and Governance analysis approaches, and to the on-going expansion of our large range of SRI investment products. All ESG processes, both active and indexed, are covered by publicly-available transparency and methodology descriptions such as the Eurosif Transparency Codes.

To increase the visibility of sustainable investments to the financial community, we offer investors an SRI solution alongside the traditional investment process whenever possible. We increasingly integrate Environmental, Social, and Governance criteria into all our investment processes.

As a sustainable asset manager, Candriam recognizes the importance of taking into account sustainability risks and opportunities in the portfolios it manages and to duly consider sustainability impacts.


PRI® Founding signatory since 2006

25 years track-record in Sustainable Investing

Milestones in Candriam's Environmental, Social, and Governance Investing:

1996 -- First Sustainable Equity Fund. In 1996, Candriam's predecessor company, Cordius Asset Management, offered investors our first Sustainable Equity Fund.

2003 -- Structured Proxy Voting System Established. Candriam was a pioneer among Belgian investment managers in exercising the voting rights of its clients to improve investment returns. In 2003 we began a systematic and structured proxy voting effort.

2005 -- Proprietary Environmental, Social, and Governance research. In 2005, Candriam launched its in-house ESG analysis. Our ESG approach is based on a sophisticated set of ESG factors and performance indicators in six stakeholder domains, which is Investors, Human Capital, Environment, Suppliers, Customers, and Society, and are the core of Candriam's approach to Sustainable and Responsible investing.

2005 -- Engagement Embedded in the Research Process. Our Engagement activities began at the outset of our in-house ESG research in 2005. Engagement arose from our dialogues with companies to obtain additional information. Our direct engagement with companies has grown organically over the years; for Candriam, Dialogue is synonymous with ESG Research.

2006 -- Founding Signatory of the UN Principles for Responsible Investing. Candriam was present at the birth of the PRI. Candriam has been participating in industry working groups and sustainable investing organisations since 2003.

2008 -- Emerging Markets ESG Investing. We believe that analysing ESG issues in Emerging Markets requires a different approach to accommodate the lower levels of information and transparency, as well as lower levels of issuer and investor experience with ESG factors.

2009 -- ESG country framework established. Our analysis of sovereign and related issuers, based on the four pillars of Human Capital, Natural Capital, Social Capital, and Economic Capital.

2010 -- ESG Indexed Funds -- In 2010, following the controversial armaments exclusions firm-wide, Candriam decided to apply its SRI screening to its indexed fund range

2016 --- Engagement: from Initiation to Influence. In 2016, we significantly increased our commitment by dedicating a group of our experienced Sustainable Investing professionals to full-time coordination of our decade-long efforts. Currently, we are putting our Engagement efforts behind three 'Conviction Topics': Corruption, Energy Transition, and Well-Being at Work.

2017 --- Responsible Investing in Emerging Market Debt and High Yield Debt. In 2017, our expansion of our ESG included SRI Bond Emerging Markets, and SRI Bond Global High Yield. Five Candriam SRI funds were

awarded AFNOR Certifications by the French-government-backed organization, making our High Yield fund the first to receive an SRI label.

2017 – Helping to Train the Next Generation of Responsible Investors – In October, 2017, Candriam launched the Academy for Sustainable and Responsible Investing. The **Candriam Academy** aims to raise awareness, promote education, and improve knowledge of sustainable investing via an innovative and accredited online educational platform.

2018 --- Launch of Fossil Free funds. Launch in September 2018 of two Candriam Fossil Free funds to support investors moving towards carbon neutrality.

2018 --- Exclusion of Thermal Coal and Tobacco from *all* investments. In 2018, all Candriam strategies divested from companies with more than 10% of their activities in thermal coal, and from any companies which initiate new thermal coal projects, based both on stranded asset and sustainability considerations. Candriam also divested from any companies with more than 5% of their activities stemming from tobacco. These exclusions demonstrate our commitment to both investment performance and responsibility.

2019 --- Launch of Climate Action strategy. Launched in May 2019, the fund invests in companies providing tangible solutions in terms of mitigation and adaptation to Climate Change.

2020 --- Launch of Circular Economy strategy. Launched in April 2020, the strategy invests in companies providing solutions/services in the advancement of a more sustainable economic model.

2020 and beyond – Holistic Integration of Sustainability in Finance. In 2020 and beyond, we plan to continue to innovate and develop new sustainable investment solutions, as well as to increasingly integrate ESG risks and opportunities in all our investments, drawing on our more than two decades of experience in sustainable investing.

2.3. How does the company formalise its sustainable investment process?

Responsible Investment Policy – We have actively incorporated ESG analysis in our investing since 1996.

At Candriam, we believe that a company's long-term value is not purely measurable by purely financial metrics. By evaluating ESG criteria, investors can identify additional factors which affect a company's long-term value.

ESG considerations are central to Candriam's investment philosophy. To this end, Candriam's company-wide controversial activities policy integrates ESG factors including exclusions on controversial weapons, thermal coal and tobacco.

The policy is applicable to all funds for which Candriam has the full discretion as management company and investment manager. Except if otherwise agreed between the relevant parties, the following portfolios are therefore excluded from the scope of this policy:

- Funds for which Candriam is the Management Company but has delegated the investment management activity to another entity.
- Funds for which Candriam is not the Management Company but has received the investment management activity through a delegation by another entity.
- Fund of Funds managed by Candriam where the underlying funds are not managed by Candriam.

For third-party discretionary portfolio mandates, company-wide exclusions are applied if parties so agree.

For additional information, please find Company-Wide Exclusion Policy published on our website:

<https://www.candriam.com/siteassets/medias/publications/sri-publications---candriam-policies/exclusion-policy.pdf>

In addition to publishing our Transparency Codes, Candriam formalises its responsible investment process through publishing its Sustainability Risk Policy, followed by its Engagement and Proxy Voting Policies:

<https://www.candriam.com/492d3f/siteassets/medias/publications/sfdr/sustainability-risk-policy.pdf>

https://www.candriam.com/4b0e56/siteassets/medias/publications/brochure/corporate-brochures-and-reports/engagement-policy/candriam_engagement_policy.pdf

https://www.candriam.com/4af6b1/siteassets/medias/publications/brochure/corporate-brochures-and-reports/proxy-voting/proxy-voting-policy_2020.pdf

Responsible Practices at Candriam - Sustainability is embedded in Candriam's business model and forms an essential part of our culture. We are committed to incorporating the global trends that will shape tomorrow's world in our strategic business choices and our daily life. We balance responsible behaviour towards our stakeholders with the synergies between our ESG and traditional financial investment activities, as well as with our role in environmental and societal stewardship.

We offer transparency through our annual review of our own internal Environmental, Social, and Governance practices, and the results are published in our annual Corporate Sustainability Report (CSR). Candriam's CSR lists our concrete achievements and our 'deliverables' in our commitment to develop our own company responsibly. The latest version is available on our corporate website at <https://www.candriam.com>.

Commitment at all levels is essential. Our Group Strategic Committee regularly assesses our relevant sustainability challenges to determine how Candriam should manage our stakeholder relations and how we should attune our business model and practices to all of these long-term challenges.

In 2020, we further clarified the firm's sustainability governance:

- **A Strategic Sustainability Committee** meet regularly : the **GSC**, supported by Candriam's ESG and CSR experts, sets out the strategic orientations for both **ESG investing** (both product and commercial wise) and **CSR**.
 - A company-wide **Sustainability Risk Committee**, reporting into GSC, assesses corporate reputational & financial risks regarding sustainability including climate risks and defines a controversial Company and Country Watch list for all Candriam's activities
 - **The Proxy Voting Committee** furnishes strategic guidance on Proxy Voting best practices and monitor Candriam's voting policy
 - **The Candriam Institute for Sustainable Development** oversees Candriam's Philanthropy and community-impact program, through the support of initiatives in ESG Research & Education and in the Social Impact domain.
- The **ESG Steering** coordinates the implementation of the strategic ESG Roadmap, relying on several agile investments, operational and IT workstreams.
- The **CSR Steering** oversees and coordinates the implementation of the CSR Roadmap across the axes of Staff, Clients, Operational Value Chain, Governance and Community.

As an investment manager, we strive to integrate ESG across all processes, offering the best services and products in ESG Investing. As a company, we commit to upholding the highest sustainability standards in every dimension of our business and we believe that our new ESG Governance Framework will allow us to do so in a more efficient manner.

2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?

Candriam considers that a company's long-term value is not solely influenced by financial criteria such as income or growth in the operating margin. By incorporating environmental, social and governance (ESG) criteria, we identify other factors liable to influence a company's value and competitiveness over the medium and long term. Within the analysis of Environmental factors, we take into account a company's exposure and strategy in

terms of Climate Change.

The inclusion of ESG factors rounds out the assessment of risks incurred by issuers. These risks can be broken down into four categories:

- **Operational risk:** risk of losses stemming from a failure or inadequacy in an institution's procedures, staff, internal systems or due to external events.
- **Reputational risk:** risk of loss in enterprise value stemming from the materialisation of a risk, affecting the perception of the company held by its clients, shareholders, counterparties, regulators or investors.
- **Strategic risk:** risk of losses stemming from an actual or potential risk, affecting capital and profit, and resulting from changes in business model or adverse commercial decisions, a lack of responsiveness to a market development, or the inappropriate implementation of decisions.
- **Financial risk:** risks arising from banking and financial activities, predominantly including foreign exchange, interest rate and liquidity risks.

More specifically, climate change is a source of financial and reputational risk for investors. There are two types of climate risks: physical risks and risks associated with a transition to a low-carbon economy.

Physical risks

Physical risks cover immediate material and financial aspects, as well as operational aspects (e.g. production halts, water scarcity) and reputational aspects (e.g. conflicts with local populations, major migratory flows).

Transition risks

Searching for solutions to climate change issues can generate risks and opportunities for some sectors/companies. In particular, these risks cover:

- Changes in prices of energy resources and energy efficiency, with the added drawback of leaving companies with stranded assets:
 - Reduction of renewable energy costs, and increase in supply of renewable energies, have driven down demand for the highest-polluting energies (with coal in the lead);
 - Reserves of the highest-polluting energies may end up never being used, forcing the owners to write them off.
- Changes in anti-pollution tax systems and more restrictive carbon markets, driving up prices of CO₂ per metric ton;
- Financing risk for companies active in high-polluting sectors or involved with obsolete energy activities;
- This risk has arisen due to the growing preference of clients and other stakeholders for energy transition financing and associated risks.

Type of Risks

RISKS	OPERATIONAL	REPUTATIONAL	STRATEGIC	FINANCIAL
Physical risks	✓	✓		
Transition risks <i>- asset value</i>			✓	
Transition risks <i>- legal and market constraints</i>	✓		✓	✓
Transition risks <i>- financing/funding</i>		✓		✓

Climate Risks

Candriam decided to exclude companies on a firm-wide level displaying more than 10% in thermal coal activities and those launching new projects in order to take into account potential stranded assets linked to climate change.

At Candriam, the inclusion of ESG criteria is the first step in the responsible investment process. Candriam’s ESG analysis is designed to select those issuers that best manage the challenges related to sustainable development, including climate change and energy transition.

All these issuers form the ESG universe. The investment portfolios are then compiled from this ESG universe and in accordance with analysts’ recommendations. This rigorous investment process ensures that short-, medium- and long-term ESG and financial risks and opportunities are taken into account and thus adds value to the investment as it enables the selection of issuers best positioned both from a financial point of view and from a sustainable-development point of view.

To help investors manage the risks associated with climate change and to take advantage of the opportunities presented by the transition to a low-carbon economy, Candriam offers investment solutions such as

- Excluding exposure to coal or the highest-polluting activities
- “Low-carbon” solutions
- Investment in green bonds
- Thematic Strategies, including Climate Change

These investment solutions are offered after reviewing the portfolio in terms of carbon footprint/exposure to fossil fuels and the portfolio’s exposure profile in terms of energy mix with respect to the 2-degree global warming scenario. These solutions are developed in accordance with the financial risk/reward targets specific to the portfolio under analysis.

For more information, visit our website <https://www.candriam.com/en/professional/market-insights/article-173>

Furthermore, as described in section 2.4, Candriam has implemented a firm-wide ESG governance structure to ensure proper oversight and information flow of ESG issues. Climate Risks are analysed by the Sustainability

Risk Committee which assesses corporate reputational & financial risks. This committee reports directly into Candriam’s Group Strategic Committee.

2.5. Which Teams are involved in the company’s sustainable investment activity?

Candriam launched its first SRI fund in 1996. For more than 20 years now, the company has developed expertise in ESG analysis thanks to its **dedicated ESG Team**. The team comprises analysts who specialise in specific sectors, sovereign analysis and active engagement activities. The team has developed its own ESG analysis methodology applied to governments, corporations and supranational agencies/organisations.

For the majority of our SRI strategies (i.e. strategies based on our proprietary industry-specific ESG materiality framework), the ESG analysts provide recommendations on issuers that determine the eligibility and, as a consequence, the ESG investment universe for the portfolio manager teams. The **portfolio managers** then apply their respective investment processes and select issuers from this ESG universe. For specific thematic strategies, the eligibility of issuers is determined in conjunction with the investment teams during dedicated committees.

Furthermore, in order to enhance synergies between the ESG Team and portfolio management teams, **one or more portfolio managers/analysts on each portfolio management team are designed as “ESG Ambassadors.”** The ESG analysts regularly take part in Portfolio Management Committees and on an ad hoc, monthly or quarterly basis the ESG ambassadors and ESG Team discuss ongoing projects and exchange ideas on ESG themes.

2.6. How many employees are directly involved in the company’s sustainable investment activity?

Across our front office teams, there are approximately 60 employees that are major stakeholders and directly involved in the company’s sustainable investment activity.

2.7. Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input checked="" type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input checked="" type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> PRI - Principles For Responsible Investment <input checked="" type="checkbox"/> SIFs - Sustainable Investment Fora	<input checked="" type="checkbox"/> CDP – Carbon Disclosure Project (including Climate Change, and Water and Forest programmes) <input type="checkbox"/> Climate Bond Initiative <input checked="" type="checkbox"/> Green Bond Principles <input checked="" type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input checked="" type="checkbox"/> Montreal Carbon pledge <input checked="" type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition	<input checked="" type="checkbox"/> Access to Medicine Foundation <input checked="" type="checkbox"/> Access to Nutrition Foundation <input checked="" type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input checked="" type="checkbox"/> Other -Please refer to the section below for further information	<input type="checkbox"/> ICGN - International Corporate Governance Network <input checked="" type="checkbox"/> Other -Please refer to the section below for further information

<input checked="" type="checkbox"/> Other <i>-Please refer to the section below for further information</i>	<input checked="" type="checkbox"/> Other : TCFD <i>-Please refer to the section below for further information</i>		
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As a responsible asset manager, the United Nations Principles for Responsible Investment are an important initiative to support.

We are proud to have been one of the first signatories to the UN-PRI. The PRIs are a voluntary initiative aimed at encouraging investors to include ESG (Environmental, Social & Governance) considerations in their investment decisions.

The most recent version of the PRI Report is available on the PRI website:

<https://www.unpri.org/signatory-directory/>

■ **Candriam’s sustainable commitments**

We commit ourselves, as an investor or as a company, to behave in a responsible way. Here below are the statements we have signed or the initiatives we have joined accordingly:

Commitments	ESG	Joined In/ Signed In	Conviction Topics
PRI - Principles for Responsible Investment 	ESG	2006	
UNGC Call to Action on anti-corruption 	G	2014	
G20 Energy Efficiency Investor Statement 	E	2015	
Montreal Carbon Pledge 	E	2015	
Paris Pledge for Action 	E	2015	
UK Stewardship code 	ESG	2016	
Investor Statement on ESG credit ratings 	ESG	2017	
Adhesion to Green and Social Bond Principles 	ES	2017	
Tobacco-Free Finance Pledge 	S	2018	
The Investor Agenda 	E	2018	
Commitment to support a just transition on climate change 	ESG	2018	

■ Collaborative Initiatives

We join forces with other investors to secure greater leverage in calling on stakeholders to act responsibly. The table below shows collaborative initiatives active in 2018 but that Candriam had started to support in previous years, their impact and Candriam specific contributions:

Collaborative Initiatives Initiatives for a call to action	ESG	Joined/ Signed in	Candriam Contribution summary	Conviction Topics
CDP - Carbon Disclosure Project (incl. Climate Change, Water and Forest programs) 	E	2004	Lead investor on over 40 companies to encourage them to fill in the questionnaire (non disclosure campaign).	
Sustainable Stock Exchanges 	ESG	2010	Participation in update calls	
Access to Medicine (AtM) 	S	2010	<ul style="list-style-type: none"> Letters co-signer Lead for 1 target company Active supporting investor with others 	
Access to Nutrition 	S	2013	<ul style="list-style-type: none"> Letters co-signer & Lead for 1 target company Active investor for several target companies 	
Bangladesh Initiative on garment industry 	S	2013	<ul style="list-style-type: none"> Statements and letters co-signer to companies, OECD and authorities Active engagement with 15 companies to encourage them to join or support The Accord 	
Labour practices in agricultural supply chain 	S	2016	Co-lead investor for 2 corporates, supporting investor for 1	
Fiduciary Duty in the 21st Century 	ESG	2017	Signatory	
Engagement on antibiotics overuse in livestock supply chains 	ES	2017	Letters co-signer	
Sustainable Protein Engagement 	E	2017	<ul style="list-style-type: none"> Letters co-signer Co-lead investor for 2 corporates 	
Workforce Disclosure Initiative 	S	2017	<ul style="list-style-type: none"> Letters co-signer Co-lead investor for 7 corporates 	
Banking on a Low Carbon Future 	E	2017	<ul style="list-style-type: none"> Letters co-signer Participation in group calls 	
Engagement on Cybersecurity 	SG	2017	<ul style="list-style-type: none"> Letters co-signer Lead investor on 1 corporate Participation in exchanges with several corporates 	
Expectations on Corporate Climate Lobbying 	E	2017	Signatory	

Collaborative Initiatives Initiatives for a call to action	ESG	Joined / Signed in	Candriam Contribution summary	Conviction Topics
Decarbonisation Initiative (incl. RE100 & EP100 Engagement) 	E	2017	Letters co-signer	
Combating Child Labour in Cocoa Supply Chains 	S	2017	. Statement co-signer to companies and related stakeholders . Active investor for 1 company	
Corporate Tax Responsibility 	G	2017	. Letters co-signer . Lead investor on 2 corporates . Participation in exchanges with several corporates	
Climate Action 100+ 	E	2017	. Active supporting investor for 5 corporates . Signature of 2019 letters to US companies on Climate lobbying . 2019 Letters to Audit Committee Chairs – Shell, BP and Total	
PRI - Climate change transition for oil and gas (to be merged with CA 100+ in 2020) 	E	2018	. Supporting Investor . Signature of 2019 statement sent to O&G companies in relation to US Methane Deregulation	
BBFAW Investor Collaboration on Farm Animal Welfare 	ES	2018	. Letters co-signer . Active supporting investor with 1 corporate	
PRI Water risks in agricultural supply chains 	E	2018	. Letters co-signer . Lead investor on 1 corporate	
Plastic Solutions Investor Alliance 	E	2018	. Statement co-signer . Active supporting investor for 4 corporates . In Lead for 2 retail corporates since H2 2019	
UK Living Wage Engagement Campaign 	S	2018	Letters co-signer	
PRI Supported engagement on responsible sourcing of cobalt 	ES	2018	Co-Lead investor for 1 corporate	
Corporate Accountability for Digital Rights 	SG	2018	. Letters co-signer . Co-lead investor for 1 corporate	
Investor Statement to EU Policymakers on the future of Corporate Reporting 	ESG	2018	Statement co-signer	
Investors call on power companies to accel- erate decarbonisation and support ambitious climate policy 	E	2018	Statement co-signer	
Open Letter to index providers on controver- sial weapons exclusions 	SG	2018	Statement co-signer	

Collaborative Initiatives new in 2019 Initiatives for a call to action	ESG	Joined / Signed in	Candriam Contribution summary	Conviction Topics
Making Finance Work for People and Planet 	ESG	2019	Statement co-signer	
PRI-coordinated Investor Working Group On Sustainable Palm Oil 	ES	2019	Supporting Investor for 6 corporates	
Investor Mining and Tailings Safety Initiative 	E	2019	. Letters co-signer . Participation in call	
Statement for mandatory human rights due diligence - Switzerland 	S	2019	Statement co-signer	
2019 Global Investor Statement to Governments on Climate Change 	E	2019	Statement co-signer	
Investor Statement On Turkmen Cotton (SourcingNetwork) 	S	2019	Statement co-signer	
2019-2020 Initiative for Pesticide Use Reduction and Safer Chemicals Management - Grocery Retail 	ES	2019	. Letters co-signer . Lead investor for 1 corporate and Active investor for another 1 (pending decisions)	
Investor Statement On Deforestation & Forest Fires in the Amazon 	E	2019	Statement co-signer	
Investor Statement to support Gender Equality in the workplace 	S	2019	Statement co-signer	
Australian extractives sector, IGCC Public Sign On Letter 	E	2019	Letter co-signer	
Open Letter in support of Amazon Soy Moratorium 	E	2019	Open Letter co-signer	
PRI Investor statement on Climate change for Airlines & Aerospace companies 	E	End 2019/2020	Statement co-signer	
PRI Investors Letter to SEC 	ESG	End 2019/2020	Open Letter co-signer	

2.8. What is the total number of SRI assets under the company's management?

As of December 2020, the firm's SRI assets under management totalled €52 billion.

2.9. What is the percentage of total SRI assets under the company's management?

As of December 2020, the firm's SRI assets under management represented 37% of total AuM.

2.10. Which are the SRI funds publically managed by the company?

In accordance with legal requirements, please refer to our website to access information regarding specific funds in our SRI fund range available in your jurisdiction and information on the corresponding Transparency Code:

- **Belgium:**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/belgium-transparency-codes-fund-registration-table.pdf>

- **Austria:**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/austria-transparency-codes-fund-registration-table.pdf>

- **France:**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/france-transparency-codes-fund-registration-table.pdf>

- **Germany**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/germany-transparency-codes-fund-registration-table.pdf>

- **Ireland**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/ireland-transparency-codes-fund-registration-table.pdf>

- **Italy**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/italy-transparency-codes-fund-registration-table.pdf>

- **Luxembourg**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/luxembourg-transparency-codes-fund-registration-table.pdf>

- **Netherlands**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/netherlands-transparency-codes-fund-registration-table.pdf>

- **Switzerland**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/switzerland-transparency-codes-fund-registration-table.pdf>

- **United Kingdom**

<https://www.candriam.be/siteassets/medias/publications/brochure/corporate-brochures-and-reports/transparency-codes/uk-transparency-codes-fund-registration-table.pdf>

3. General information about the SRI fund(s) that come under the scope of the Code

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

Candriam considers that a company's long-term value is not solely influenced by financial criteria such as income or growth in the operating margin. By incorporating environmental, social and governance (ESG) criteria, we identify other factors liable to influence a company's value and competitiveness over the medium and long term, which are not always immediately obvious in traditional financial analyses. External factors such as CO2 costs or health and safety standards affect most companies and issuers, either positively or negatively, when integrated into their economic model. Some factors offer a new opportunity while others are considered a threat to the business model.

Due to the varying nature of each strategy's investment process, the specific objectives of each strategy will vary:

Strategy	Objectives
Candriam Sustainable Equity EMU Candriam Sustainable Equity Europe Candriam Sustainable Equity North America Candriam Sustainable Equity US Candriam Sustainable Equity Pacific Candriam Sustainable Equity World Candriam Sustainable Equity Europe Small & Mid Caps Candriam Sustainable Equity Emerging Markets Candriam Fund Sustainable European Equities Fossil Free Candriam Sustainable Bond Global High Yield	KPI 1: Carbon footprint (Scope 1-2 at start). Target: Fund < 70%* Bench KPI 2: ESG Score. Target: Fund > Bench
Candriam Fund Sustainable Euro Corporate Bonds Fossil Free Candriam Sustainable Bond Euro Corporate	KPI 1: Carbon footprint (Scope 1-2 at start). Target: Fund < 70%* Bench KPI 2: % Green Bonds - Target: Min 10% 2021 / Min 20% 2025 KPI 3: ESG Score. Target: Fund > Bench
Candriam Sustainable Bond Euro Candriam Sustainable Bond Global	KPI 1: Carbon footprint (Scope 1-2 at start). Target: Fund < 70%* Bench KPI 2: % Green Bonds - Target: Min 10% 2021 / Min 20% 2025 KPI 3: ESG Score Country + Corp. Target: Fund > Bench
Candriam Sustainable Bond Euro Short Term	KPI 1: Carbon footprint (Scope 1-2 at start). Target: Fund < 70%* Bench KPI 2: % Green Bonds - Target: Min 5% 2021 / Min 20% 2025 KPI 3: ESG Score Country + Corp. Target: Fund > Bench
Candriam Sustainable Money Market Euro	KPI 1: Carbon footprint (Scope 1-2 at start). Target: Fund < 100 KPI 2: ESG Score (Country + Corp). Target: Fund > 55
Candriam Sustainable Bond Emerging Markets	KPI 1: Freedom House Index. Target: Fund > Bench KPI 2: Environmental Performance Index. Target: Fund > Bench KPI 3: ESG Score Country. Target: Fund > Bench

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

The ESG Investments & Research Team has developed its own ESG methodology applied to governments, corporations and supranational agencies/organisations. The portfolio managers then apply their respective

investment processes and select issuers from this ESG universe. The ESG Analysts use internal and external research to feed their models.

The Team strives to source information from diverse sources as we consider information from different providers to be complementary. This is as a result of providers' varying coverage, methodologies, as well as culture which may ultimately lead to discrepancies in views and final ratings. These different assessments enable our ESG analysts to have a more holistic view of a company.

Please find below an overview of the external ESG data providers used by the Team:

Rating Agencies	Certification	Scope	Types of Screening	Link
Equileap	-	International Companies	Gender equality criteria	https://equileap.org/
Bloomberg	Gender-Equality Index	International Companies	International standardized reporting and disclosure method for workplace gender data.	www.bloomberg.com/GEI
MSCI ESG Research	-	International Companies	ESG Criteria – Controversial Activities – Norms-based Criteria	https://www.msci.com/esg-integration
ISS-Ethix	-	Emerging Markets Companies	Norms-based Criteria	https://www.issgovernance.com/ -
		International Companies	Screening criteria used to exclude the weapon industry	
S&P Trucost	-	International Companies	Environmental Data Greenhouse gas emissions, energy mix, percentage of exposure to fossil fuels	https://www.trucost.com/
Sustainalytics	-	International Companies	ESG Criteria – Controversial Activities – Norms-based Criteria	https://www.sustainalytics.com/
Wood Mackenzie	-	International Companies	Energy and mining sectors screening used to exclude unconventional extractions and thermal coal	https://www.woodmac.com/
ISS-Oekom	-	International Companies	Sustainable Development Goals measurements	https://www.issgovernance.com/esg/
MapleCroft	-	Sovereign Issuers	Country risk metrics and analysis	https://www.maplecroft.com/

RepRisk	-	Sovereign Issuers	ESG Country risk metrics and analysis	https://www.reprisk.com/
EIU	-	Sovereign Issuers	Country risk metrics and analysis Country energy data	https://www.eiu.com/n/
PRS Group	-	Sovereign Issuers	Quantitative data, political risk and country risk ratings	https://www.prsgroup.com/
Beyond Ratings	-	Sovereign Issuers	ESG performance of economies - Sovereign Credit risk – Climate Objectives Alignment	https://www.beyond-ratings.com/
Carbon4 Finance	-	International Companies	Environmental Data based on energy transition & adaptation to climate change	https://www.carbone4.com/

Furthermore, we also source information from academic experts, sector federations, the media, and NGOs. Examples of NGOs used in analysis include:

- **Freedom House:** measure of freedom and democracy, understood via electoral process, political pluralism, functioning government, rule of law etc. (<https://freedomhouse.org/>)
- **Transparency International (CPI):** measure of public sector corruption. (<https://www.transparency.org/>)
- **Reporters Without Borders:** advocate for press freedom worldwide (<https://www.rsf.org/>)
- **Environmental Performance Index (EPI):** ranks countries which are best addressing the environmental challenges that every nation faces
- **Paris Equity Check:** assesses how fair are countries' climate pledges under the Paris agreement
- **Ease of Doing Business Index:** ranks countries on their ease of doing business

Lastly, our ESG analysts obtain information from various International Organizations, which are either an integral part of the ESG Sovereign framework or serve as additional information in analysis. Examples of International organizations include: World Bank, IMF, World Health Organization, UN Programme for the Environment, International Labour Organisation, United Nations Development Programme, United Nations Organisation Food and Agriculture Organisation, and the International Energy Agency.

3.3. What ESG criteria are taken into account by the fund(s)?

Candriam defines sustainable investing as the incorporation of environmental, social and governance (ESG) criteria in investment decisions.

In order to take into account the stakes and challenges specific to each issuer in terms of ESG, Candriam has developed an internal ESG analysis process by type of issuer:

- companies issuing equities and/or bonds;

- countries, i.e., public bond issuers such as public organisations¹
- supranational organisations issuing bonds.

For information regarding specific KPI's applicable to the funds, please refer to the table available under the respective link under Section 1 - Fund Covered by the Code.

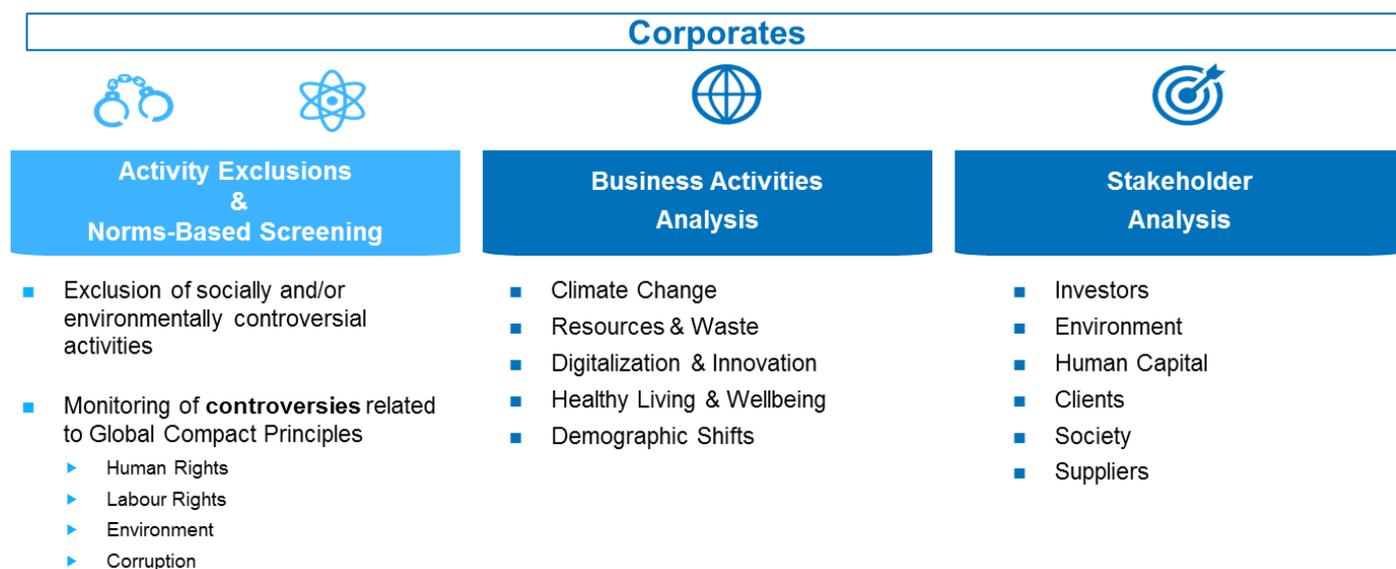
• **BASIC PRINCIPLES OF ESG ANALYSIS FOR DEVELOPED MARKETS CORPORATE ISSUERS**

We believe that all the companies we invest in must display strong E-S-G practices.

We conduct our ESG assessment of companies by their ability to create value by integrating sustainability into their business activities and the interest of stakeholders within their operating and financial managerial processes.

Sustainability Challenges are analysed from two distinct, but interlinked, angles, **Business Activities** and **Stakeholder Management**. Candriam has developed a structured and consistent ESG analysis process enabling the selection of companies in accordance with the latter's ability to deal with these two sector-specific challenges. Eligible companies must respect the SRI controversial activities thresholds and the principles of the **UN Global Compact in our norms-based analysis**.

Please find below an overview of our ESG framework for corporate issuers:



■ **The ESG Universe** is constructed using proprietary ESG framework comprising the following pillars:

- **Controversial Activities:** exclusion of companies involved in selected activities that do not embody sustainability.
- **Norms-Based Analysis:** companies that do not uphold the principles of the UN Global Compact are excluded.

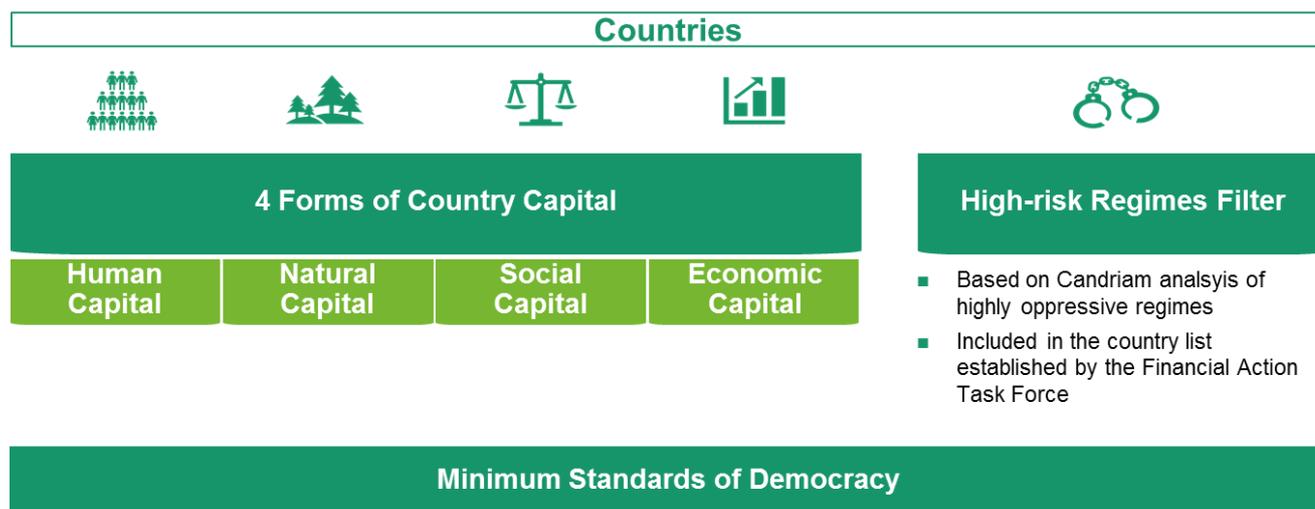
¹ The group of public issuers comprises public organisations at several administrative levels, ranging from local to national/federal institutions. We apply the "top-of-the-pyramid" rule when selecting these institutions: if the SRI analysis of a country is positive, then all public organisations in that country will be deemed eligible, and thus considered to be amongst the best positioned public issuers in terms of ESG aspects. We also verify the mission of the organisation to ensure it is aligned with sustainable practices.

- **Business Activities Analysis:** Companies are exposed to major long-term ESG trends that can strongly influence the environment in which they operate and that may shape their future market challenges and long-term growth. We have identified five key sustainability trends: Climate Change, Resource & Waste, Healthy living & Well-being, Demographic Shifts and Digitalization & Innovation
- **Stakeholders Analysis:** We evaluate the extent to which each company incorporates the interests of six stakeholders in its long-term strategy: Investors, Human Capital, Suppliers, Clients, Society and Environment.
- **Stewardship:** Engagement, Dialogue, and Proxy Voting are central to our investment process in providing additional information on issuers and encouraging best practices.

For further information on our ESG approach, please refer to question 3.5.

• **BASIC PRINCIPLES OF ESG ANALYSIS FOR COUNTRIES, I.E. PUBLIC BOND ISSUERS SUCH AS PUBLIC ORGANISATIONS AND OTHERS**

Candriam's sovereign analysis expands upon the classic capital development theory. Traditionally focused on financial capital theory, our proprietary process employs a broader, four-pillar, quantifiable definition: Human Capital, Natural Capital, Social Capital, and Economic Capital. This is coupled with an exclusion rules relating to high risk regimes and minimum standards of democracy. Please find below an overview of the sovereign framework:

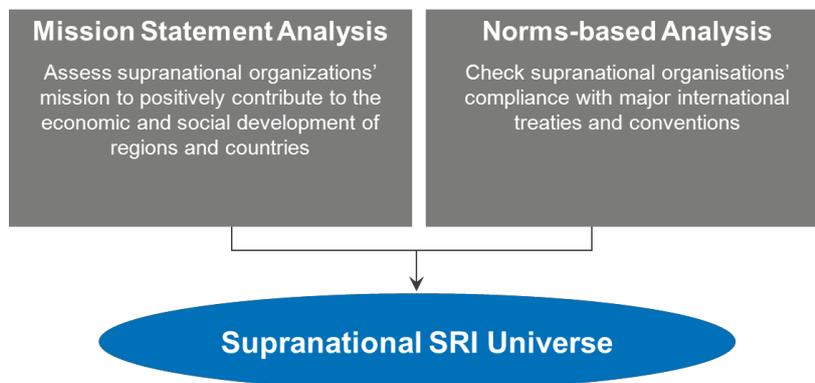


Our investible universe consists of those countries which perform best across our four categories of sustainable development criteria: **Human Capital**, **Natural Capital**, **Social Capital** and **Economic Capital**. Additionally, our sustainability framework emphasizes on the Natural Capital criteria by turning it into a multiplier for the other three capitals in order to reflect the urgency of dealing with the environmental challenges ahead of us. As a result, the human, social and economic capital are transformed into environmentally-efficient capitals to reflect the environmental cost each country incurs to produce well-being. The overall sustainability score of a country is the average of the three environmentally efficient capitals. In this way, it will be much harder for a country to compensate for environmental damage by creating another form of capital, as all capital scores will be evaluated through the environmental damage that was done in the creation of Human, Social, or Economic capitals. These four capital domains incorporate a wide range of material ESG factors which we evaluate using our internally-defined Key Performance Indicators, or KPIs. This generates a dynamic capital-based analytical tree, which covers the sustainable development challenges and opportunities faced by each nation.

In addition, we apply a set of exclusionary rules. We exclude Highly Oppressive Regimes or dictatorships, based on the Freedom House Freedom in the World Index and the World Bank Voice & Accountability Index. We also exclude all countries on the Financial Action Task Force FATF List of High-Risk Jurisdictions subject to a Call for Action, as well as any country classified as Not Free by Freedom House. Doing so, we set minimum standards of democracy, as well as countries that are involved in financing terrorism and money laundering. Countries that are present in any of those three lists cannot be considered for investment under any circumstances.

- **BASIC PRINCIPLES OF ESG ANALYSIS FOR SUPRANATIONAL ORGANISATIONS ISSUING BONDS**

In the interests of selecting supranational organisations with good ESG practices, Candriam has established a structured and rigorous 2-step ESG analysis procedure as shown in the diagram below:



The purpose of the **Mission Statement Analysis** is to exclusively select supranational organisations whose mission makes a positive contribution to the economic and social development of regions and countries. Most of today's supranational organisations meet this condition due to the very nature of their activities. In other words, the large majority successfully pass our screening process.

We also perform a **norms-based analysis** of supranational issuers. With respect to companies, the purpose of this analysis is to determine whether or not the supranational organisation observes the 10 principles of the United Nations Global Compact and, more specifically, the 4 main categories: Human Rights (HR), Labour (L), Environment (ENV) and Anti-Corruption (COR), as defined above.

This analysis aims to eliminate supranational organisations that significantly and repeatedly fail to observe any of the 10 basic principles.

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?

- **Corporate Issuers**

Candriam believes investment opportunities and risks cannot be fully evaluated using traditional financial metrics alone. We believe that taking into account ESG criteria is a source of long term value and risk mitigation that cannot be fully captured by traditional financial analysis. To this end, our ESG framework assesses the risks and opportunities to create value through integrating Business Activities and Stakeholder management sustainability factors within their operating and financial managerial processes.

The **Business Activities Analysis** evaluates the company's exposure (services/products, production areas, market segments, etc.) to the major sustainable development challenges. These challenges are long-term trends liable to considerably influence the economic environment in which companies operate and to determine the future challenges in the market as well as the long-term growth opportunities. Candriam has identified five major challenges including **Climate Change**.

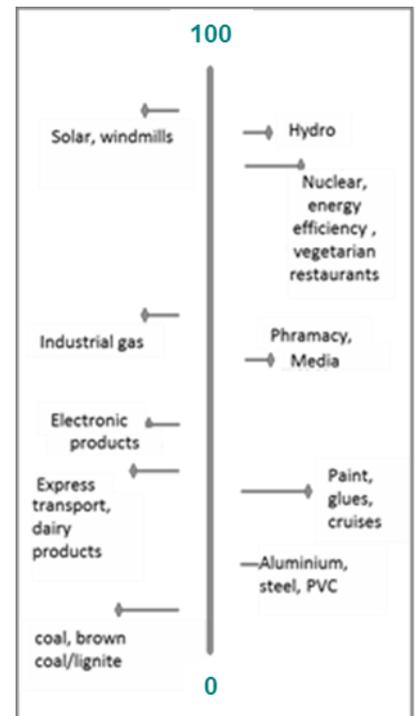
The **Stakeholder Analysis** evaluates a company's ability to incorporate stakeholder interests in its long-term strategy, insofar as they are a source of risks and opportunities for the company. These six categories of stakeholders include Investors, Employees, Customers, Suppliers, Society, and the **Environment**.

To this end, we assess climate change risk and opportunities in both of our Business Activities and Stakeholder. In this top-down approach, we assess a company's **business model** exposure to **climate change** through the Business Activities analysis. Conversely, in the Stakeholder Analysis approach, we assess the way an organization **operates to its natural surroundings** to conduct its activities.

Please find below further information on the **Climate Change** and **Environment** assessments in the **Business Activities Analysis** and **Stakeholder Analysis** respectively:

Business Activities: Climate Change Challenge

Climate change is considered to be a major and substantial challenge in sustainable development. Accordingly, it is assessed in all sector models and is a major source of risk (thus attributed a negative score) for high-impact sectors such as energy, transport and materials. In the course of this assessment, the impact of various activities is estimated and factors in greenhouse gas emissions from the source to final consumption (i.e. Scopes 1, 2 and 3). Based on this estimate, the impacts for each activity are ranked, as described opposite, on a scale from 0 to 100. The measurement of the impact itself is based on the company's exposure, according to revenue earned by the activity, except for the energy and utilities sectors, where it is based on fossil fuel reserves and installed capacity, respectively.



Stakeholder Analysis: Management of Environmental Relations

Exposure to environmental management risks and opportunities is especially significant for high-impact sectors such as energy, materials, utilities, automotive and real estate. In the course of analysing environmental management, other issues such as air pollution are also covered, including: energy use, biodiversity, soil use, waste and recycling, water consumption and the environmental impact of products.

Examples in the Energy sector:

- **Strategies implemented**
 - Environmental impact of new projects before launch;
 - Projects in renewable energy, energy efficiency;
 - Variable pay granted to executive managers based on environmental performances;
 - Technologies and measures used to prevent leaks in oil pipelines (fibre optic cables to detect leaks, pressure monitoring).

- **Performances**

- Energy mix and CO2 emissions;
- Oil leakage rate < sector average;
- Gas flaring rate < sector average;
- High % of OHSAS 14001-certified sites.

Furthermore, we apply a norms-based and controversial activities filter to exclude companies which may represent high risk due to violation of international laws and non-sustainable activities. In the norms-based analysis, we determine whether companies respect the principles of the UN Global Compact, including the respect of Environmental norms.

Lastly, we believe that investing in companies significantly exposed to conventional and unconventional oil and gas activities is not compatible with the efforts towards an energy transition and represent financial risk in terms of stranded assets. To this end, we apply exclusion thresholds based on issuer revenues for these activities.

- **Sovereign Issuers**

Candriam's proprietary ESG framework is based on a holistic evaluation of each country's long term sustainable development potential, and the non-financial risks and opportunities that impact long term value creation. Environmental considerations, including climate change, are naturally embedded in the framework through the Natural Capital.

Our framework puts climate change and environmental preservation at the forefront, as Natural Capital is not freely interchangeable with the human, social and economic capitals. Our Natural Capital pillar assesses how a country is conserving and sustainably employing its natural resources, managing its interaction with global environmental issues and challenges such as Climate change, its consumption of fossil fuels, its biodiversity stewardship and its handling of waste materials. This analysis aligns with, among others, the SDGs: Goal 6: Clean Water, Goal 12: Responsible Consumption and Goal 13: Climate Action.

3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

In order to take into account the stakes and challenges specific to each issuer in terms of ESG, Candriam has developed an internal ESG analysis process by type of issuer:

- companies issuing equities and/or bonds;
- countries, i.e., public bond issuers such as public organisations²
- supranational organisations issuing bonds.

- **ANALYSIS CRITERIA FOR DEVELOPED MARKETS CORPORATE ISSUERS**

² The group of public issuers comprises public organisations at several administrative levels, ranging from local to national/federal institutions. We apply the "top-of-the-pyramid" rule when selecting these institutions: if the SRI analysis of a country is positive, then all public organisations in that country will be deemed eligible, and thus considered to be amongst the best positioned public issuers in terms of ESG aspects. We also verify the mission of the organisation to ensure it is aligned with sustainable practices.

We believe that all the companies we invest in must demonstrate sound E-S-G practices; we thus apply a norms-based analysis and SRI controversial activities filter and incorporate the results of the ESG Business Activities and Stakeholder analysis in the financial fundamental analysis.

The ESG Analysis is based on the following pillars:

- **Controversial Activities**
- **Norms-Based Analysis**
- **Business Activities Analysis**
- **Stakeholders Analysis**
- **Stewardship**

- [Controversial Activities](#)

A company's exposure to controversial activities is evaluated according to several parameters covering the following variables:

- Type of involvement: the type of involvement (direct or indirect) is taken into account for each company evaluated (owners and operators, manufacturers and producers, retailers and suppliers, product suppliers or providers of support services, etc.);
- Degree of involvement: this is based on an approach in terms of level of involvement and applied to all types of controversial activities. Production capacities or income stemming from such activities are generally used as key indicators.
- Responsible policy: in addition to the type and degree of involvement, it is important to look at how the company addresses and perceives its potentially controversial activities. Consequently, the presence (or absence) of an appropriate, targeted responsible policy is critical to the purpose of this analysis. This type of policy acknowledges the company's involvement in a controversial activity, but also the existence of systems and practices designed to ensure that the activity is carried out responsibly.

However, any companies exposed to the **weapons industry** are permanently excluded from the universe if:

- they are involved in the manufacture or sale of anti-personnel mines, cluster bombs, depleted uranium weapons and/or chemical, nuclear or biological weapons, regardless of the income generated;
- derive more than 5% of their total sales/revenues from the production, manufacturing, trade, testing or maintenance of white phosphorous weapons; the 5% threshold is adopted in order to acknowledge the fact that phosphorous is a dual-use substance;
- generate more than 3% of their revenues from the manufacture or sale of conventional weapons.

The exclusion thresholds for exposure to **other controversial activities** are shown in the table below:

Controversial Activities	Exclusion Thresholds
Activities in oppressive regimes	<ul style="list-style-type: none"> ■ Large presence in highly oppressive regimes ■ Revenues > 1%.
Adult content	<ul style="list-style-type: none"> ■ Revenues > 5%

Alcohol	<ul style="list-style-type: none"> ■ Revenues >10%
Gambling	<ul style="list-style-type: none"> ■ Revenues > 5%
Nuclear	<ul style="list-style-type: none"> ■ Revenues > 30%
Tobacco	<ul style="list-style-type: none"> ■ Revenues > 5%
Thermal coal	<ul style="list-style-type: none"> ■ Revenues >10% ; ■ Launching of new projects
Animal testing	<ul style="list-style-type: none"> ■ Responsible policy if no legal requirement ■ Breaches to legislation
Genetic modification	<ul style="list-style-type: none"> ■ Revenues > 10%
Unconventional Oil & Gas	<ul style="list-style-type: none"> ■ Revenues > 10%
Conventional Oil & Gas	<ul style="list-style-type: none"> ■ Revenue based on natural gas or renewable energy < 40%
Electricity Generation	<ul style="list-style-type: none"> ■ Carbon intensity > 393 (gCO2/kWh) <p style="text-align: center;">If carbon emission intensity data is not available:</p> <ul style="list-style-type: none"> ■ % power production based on coal > 10% ; ■ % power production based on oil & gas > 30% ; ■ % power production based on nuclear sources > 30%.

For more details, please refer to Candriam's SRI Controversial Activities policy, which can be viewed on their website:
<https://www.candriam.com/siteassets/medias/publications/sri-publications---candriam-policies/exclusion-policy.pdf>

- **Norms-Based Analysis**

The norms-based analysis determines whether a company complies with the 10 principles of the United Nations Global Compact for each of the main categories: Human Rights (HR), Labour (L), Environment (ENV) and Anti-Corruption (COR).

Area	Principles
Human Rights	Businesses should: 1. Support and respect the protection of internationally proclaimed human rights; and 2. Make sure that they are not complicit in human rights abuses.
Labour Standards	Businesses should: 3. Uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. Eliminate all forms of forced and compulsory labour; 5. Abolish the child labour; 6. Eliminate discrimination in respect of employment and occupation.
Environment	Businesses should: 7. Support a precautionary approach to environmental challenges; 8. Undertake initiatives to promote greater environmental responsibility; and 9. Encourage the development and diffusion of environmentally friendly technologies.
Anti corruption	Businesses should: 10. Work against corruption in all its forms, including extortion and bribery.

Information regarding actual, suspected and/or related incidents or breaches of international standards are collected through external research combined with internal analyses performed by our SRI analysts.

After identifying any breaches of the Global Compact principles, the analysis uses several parameters to evaluate the severity and magnitude of the breaches:

- **Temporal proximity:** when did the incident happen and how long did it last?
- **Magnitude:** what financial costs and environmental damage are related to the incident?
- **Credibility:** does the incident involve allegations, legal proceedings, etc?
- **Recurrence:** is this a one-off incident or is there proof of repeated incidents over a given period?

Emphasis is also placed on a company's response when an incident occurs. A company that takes positive, responsible measures to ensure that such a breach does not happen again is considered more favourably than a company that does not acknowledge its responsibility and/or does not take any corrective measures.

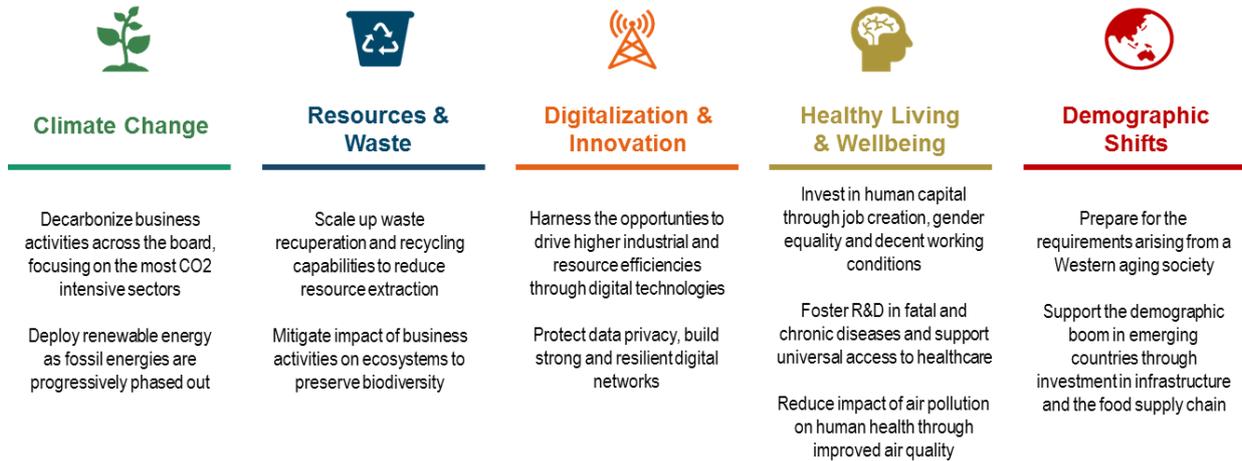
Based on this information and in accordance with the evaluation framework described above, the colour code is determined as follows for each of the four main categories.

Green	- No evidence of repeated or significant violations of the Global Compact principles
Orange	- Evidence of repeated violations of the Global Compact principles but these do not appear to be significant; or - Evidence of significant violations of the Global Compact principles but these do not appear to be repetitive; or - Evidence of repeated and significant violations of the Global Compact principles, but the company has taken appropriate corrective measures/actions
Red	- Evident of repeated and significant violations of Global Compact principles and the organisation has no appropriate response/behaviour

In order to successfully pass the norms-based analysis filter, issuers must not have been attributed “red” in any of the four fields. Companies are permanently – monitored and continuously updated.

• **Business Activities Analysis**

Business Activities: Companies are exposed to major long-term ESG trends that can strongly influence the environment in which they operate and that may shape their future market challenges and long-term growth. We have identified five key sustainability trends:



We group companies based on the industry or sector in which each company operates, its geographic location, business model. We determine the degree to which each industry group is exposed to the five major development challenges, and score them from 0 to +100.

We assess a company exposure, through its revenue generation, assets, CAPEX etc., to five key sustainable challenges: Climate Change, Resource & Waste, Healthy Living & Well-being, Demographic Shifts and Digitalization & Innovation.

For example, within the Mining sector, steel receives a more negative score on “Resources & Waste” than do metals of the platinum group; while within the Food sector, companies producing healthy products receive a more positive score than junk food.



Based on the conclusions of the sector Business Activities Analysis, all the company's exposures to the major sustainable development challenges specific to its sector are evaluated and scored. Please find below example of questions that can be asked for Climate Change across different sectors:

Automotive

12% of European CO2 emissions

- Which powertrain technology offers the optimum CO2 footprint?
- Which manufacturers are best positioned towards new regulations on car emissions?
- How are manufacturers balancing CO2 from mining extraction and CO2 saved from battery technology (Scope 1+2+3)?

Information Technologies

Leading investor in renewables but also fast rising emitter

- How are different IT business models impacting climate change and responding to it?
- Which new regulation or technology shift bears the potential to alter sector climate exposure?

Energy

Growing pressures to set clear CO2 emissions targets

- Which energy mix is most compatible with energy transition targets set at national level?
- How is innovation affecting the relative cost competitiveness of various power generation technologies?



For each company, the score is the weighted average of the five key sustainable challenges, ranging from 0 to +100. A lower score reflects the company's lower exposure to these major challenges.

- Stakeholder Analysis**

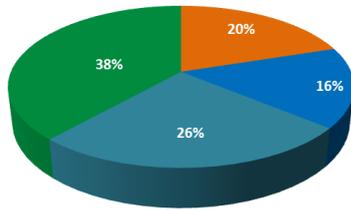
Relationships with stakeholders give rise to opportunities as well as risks, and are therefore determinants of long-term value. We evaluate the extent to which each company incorporates the interests of stakeholders in its long-term strategy. We have identified six categories of stakeholders:

 <p>Investors</p> <ul style="list-style-type: none"> Quality of governance / Female representation at Board level Business ethics Bribery & corruption Accounting standards 	 <p>Environment</p> <ul style="list-style-type: none"> Resource efficiency Pollution and local impact Raw materials sourcing Climate change
 <p>Human Capital</p> <ul style="list-style-type: none"> Working conditions Employee training Retention policies Approach towards gender equality 	 <p>Clients</p> <ul style="list-style-type: none"> Product safety & recalls Marketing practices Client information Anti-competitive behaviours
 <p>Suppliers</p> <ul style="list-style-type: none"> Environmental impact of supply chain Relationship with suppliers 	 <p>Society</p> <ul style="list-style-type: none"> Relationships with local communities Social stewardship and responsibility Lobbying practices and policies

We determine the relevance of each category based on qualitative and quantitative data. For instance, we may look at the degree of attention paid to shareholders; the frequency of certain events such as accidents and fines; the tangible or intangible financial impact of ESG issues, and the outlook and prospects for a company to improve or deteriorate in these measures. Based on the relevance, we determine weights for each category.

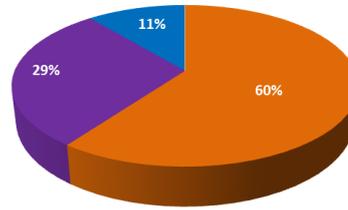
Energy Sector - Stakeholder Weights

Investors Employees Society Environment



Financials (Banks) - Stakeholder Weights

Investors Customers Employees



For example, in the energy sector, we place a strong weight on the Environment, in Financials for the banking sector; we place more emphasis on Investors. Within the broad categories, we also assign weight by materiality. For Energy, within the category of 'relations with employees', we stress health and safety; for Financials, within the category of 'relations for investors, we emphasize corporate governance.

For Financials we place special emphasis is given to governance in the stakeholder management analysis. Governance is one of the most important issues for financial institutions. We assess this aspect by analyzing the following:

- Board structure: Independence, expertise of directors, etc.
- Auditors rotation (mitigates conflict of interest)
- Remuneration: is the remuneration aligned ?
- Share capital (avoiding share dilution)

Furthermore, as part of our governance assessment, we incorporate the UNEP FI Principles. We verify if a bank is a signatory of the UNEP FI to assess its commitment towards the ESG issues. Although this is not a hard criterion for exclusion, we believe that banks that have committed to these principles are more prone to display stronger ESG practices.

A single category can be represented by different indicators, depending on their relevance to the sector in question. For example, the category "health and safety" of employees is primarily assessed by looking at safety conditions on oil platforms in the Energy sector, whereas, in the Software sector, it would be assessed by looking at workplace stress and ergonomics indicators.

For each theme addressed, the ESG analysis evaluates the strategies implemented by the company (relevance of the strategy developed, human and material resources allocated, pro-activity and follow-up) as well as the company's performances in each category relative to its competitors and the major trends in the sector.

The combination of this evaluation and the weightings for each category of stakeholder relations obtained from Stakeholder analysis give the overall Stakeholder score (weighted average of the six individual stakeholder relations scores) for each company. The company's score ranges from 0 to 100.

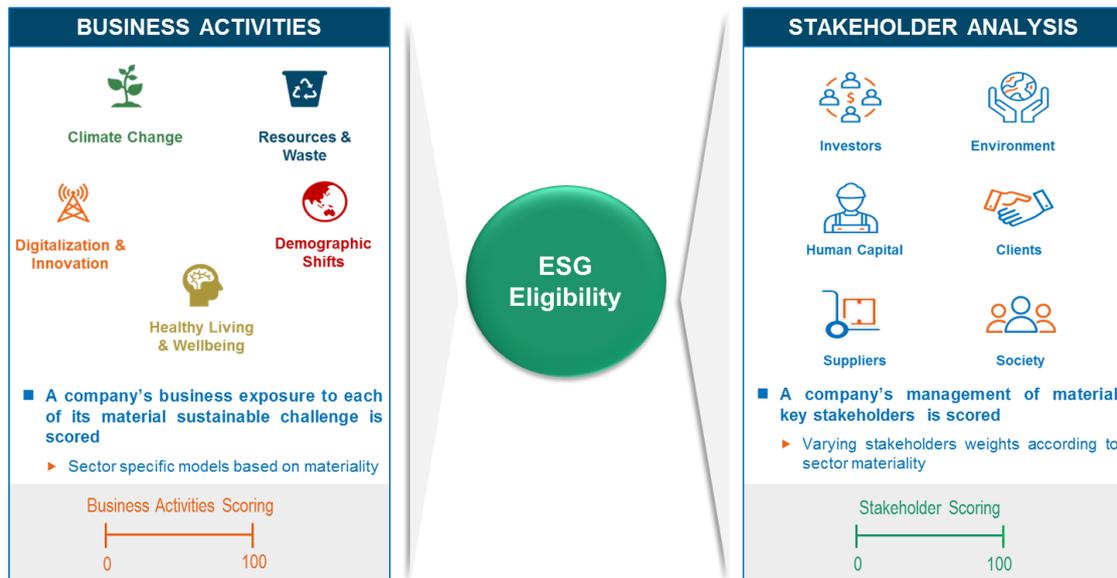
- **Stewardship**

Stewardship is a key part of our long-term investment process, given its potential impact on investor returns. Candriam engages with the management of its investment candidates on a range of aspects. Stewardship takes the form of a direct and individual dialogue between ESG analysts and the representatives of the company and other stakeholders.

Candriam's voting policy favours resolutions that support sustainable development principles in accordance with its Sustainable and Responsible approach. As a pioneer in ESG, we also encourage sustainable development in the financial markets by sharing our expertise with customers, the media, and the broader financial community through conferences, working groups, and educational initiatives.

- **ESG Universe**

The ESG universe consists of best positioned companies per sector based on the scores resulting from the Business Activities and Stakeholder Analysis and which have also passed our Norms-based Analysis and our Armament and Controversial Activities reviews.



Depending on the strategy, the eligible universe consists of the top of the best-positioned 50% or 70% companies.

The financial selection of issuers from within this ESG universe is based on financial analysis and the optimal management of risks and of the portfolio.

Any investment outside the ESG universe is prohibited

Fossil Free Strategies

Due to the nature of the strategies, the Fossil Free strategies apply a unique and specific approach with the aim of constructing a zero fossil fuel portfolio by applying the following guidelines:

- Exclusion of companies with fossil energy reserves.
- Exclusion of companies seeking coal, oil and gas deposits gas or who extract, trade, refine or export these products.
- Exclusion of companies that invest in public services that produce fossil fuels to produce electricity.

The strategies also apply a stricter armament filter and excludes all companies involved in conventional armaments as well as for companies involved in Fur (revenues < 5%).

- **SPECIFIC ANALYSIS CRITERIA FOR SPECIAL PURPOSE VEHICLES**

We apply a specific analytical framework for Special Purpose Vehicles (SPV) due to the nature of their structure and purpose.

For potential investment in SPVs, the issuer must be eligible. We start by looking at the mission of the entity by identifying what lies behind the SPV. We subsequently identify the location of the vehicles, more specifically if its located in a tax havens or not.

Since we often do not have a clear overview on what lies behind an SPV, we often have a negative opinion regarding these vehicles and thus having them in an ESG portfolio.

We then apply our proprietary ESG approach, which is supplemented by our norms-based and controversial activities checks.

• SPECIFIC ANALYSIS CRITERIA FOR CORPORATE GREEN BONDS

We have created a specific framework for the analysis of Green Bonds. We believe that these instruments differ from traditional debt instruments and require a dedicated analytical framework to assess the sustainability of their projects and level of transparency. Our framework comprises analyses for both the issuers of green bonds as well as the instrument and project.

1. ICMA/CBI Certification Verification

The first step of the analysis consists of determining if the Green Bond has obtained certification. This may include certification from the Green Bond Principles of the International Capital Markets Association (ICMA) or Climate Bond Standard & Certification Scheme of the Climate Bond Initiative (CBI) certification.

We place a strong emphasis on certification as it testifies to the quality of the green bond project and the respect of high and widely recognized standards for green bonds.

Nevertheless, this is not the ultimate eligibility criteria for Green Bonds. In addition to ICMA/CBI certification, the issuer of the Green Bond must be determined eligible by our ESG proprietary model.

2. Issuer ESG Analysis

We apply our in-house proprietary ESG analysis to determine the eligibility of the **issuer** of the Green Bond. The framework is based on our traditional ESG proprietary framework comprising the following steps: Controversial activities check, Norms-based analysis, Business Activities Analysis, Stakeholder Analysis.

The ESG Universe consists of companies which are in the top 50% of our analysis, and which have successfully passed our Norms-Based analysis and our Armament and Controversial Activities reviews.

For information on the process, please refer above to our ESG framework.

3. Green Project Analysis

The Green Bond Principles have determined a list of categories which capture the most commonly used types of projects supported by or expected to be supported by the Green Bond market.

To this end, we subsequently identify which categories of the Green Bond Principles are targeted by the projects financed by the Green Bond.

These categories include the following:

- Renewable energy
- Energy efficiency (including efficient buildings) & eco-efficient products
- Pollution prevention & control (incl. waste management, soil remediation, GHG control)
- Sustainable land use (including sustainable forestry and agriculture)
- Biodiversity (terrestrial & aquatic) conservation
- Clean transportation
- Clean water and/or drinking water

Furthermore, we analyse how the objectives of the green bond and its project fit into our Macro Analysis framework. In this analysis, we seek to identify the exposure of the green bond project and ensure a positive alignment to key sustainable themes, most notably Climate Change and Resource Depletion.

It is essential that the business model and environmental strategy of the company are aligned with the use of proceeds of green bonds. For instance, companies with business models that are considered unsustainable, such

oil & gas companies highly dependent on coal, will be negatively assessed. Green bonds from these issuers that do not demonstrate a sustainable strategy in-line with green use of proceeds will have a lower probability of being included in our ESG funds.

4. Green Bond Principles & Best Practices Verification

As part of the Green Bond Principles best practices, it is recommended that issuers **appoint an external review provider** to confirm the alignment of the bond and/or bond program with the four main components of the Principles. These external providers include independent consultants and/or institutions with expertise in environmental sustainability or issuances of Green Bonds.

In our model, we have made this best practice a **hard criteria for eligibility**. We verify if the issuer has undergone this recommendation.

We subsequently analyse the following aspects pertaining to the green bond:

- **Nature of financed projects:** new projects, refinancing of existing projects
- **Proceeds Management:** we assess the level of transparency regarding the management of proceeds to ensure that proceeds are managed in an appropriate manner. This includes the tracking of proceeds, operations and the eligible types of instruments to balance unallocated proceeds.
- **Audit of Proceeds:** We place a strong emphasis on the audit of the proceeds to verify the internal tracking and allocation. In addition, we pay close attention to any certification received. An issuer can have its Green Bond or associated framework or use of proceeds certified against a recognized external green standard or label.
- **Reporting:** We assess the level of transparency in terms of its reporting. We verify if and how issuers make publicly and readily available their reviews and audits of the Green Bond. We verify that annual reports include information regarding the green projects including their environmental or social impact.

As the final step of the green bond eligibility verification, we verify, via our Micro analysis, that the issuer has strong stakeholder management practices in the domains which are most relevant to the **green bond and project**. If an issuer has weak practices in these areas, we conduct additional analysis to determine the final eligibility of the green bond.

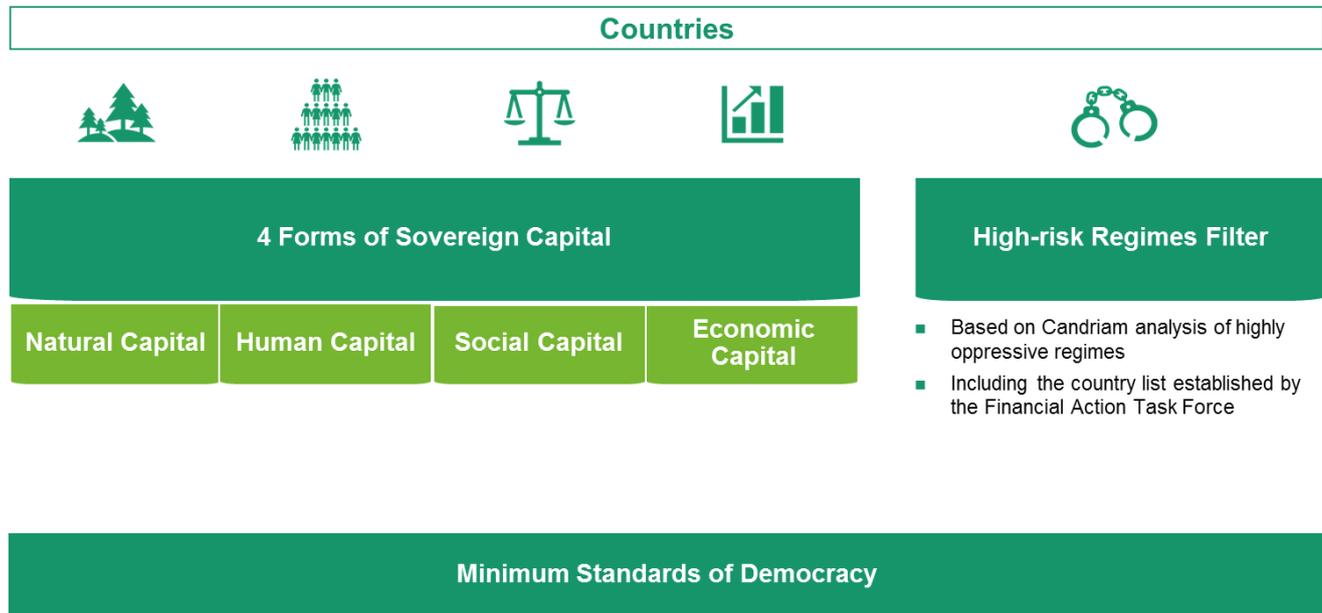
5. Final Eligibility Decision

In order to be eligible, the issuer and the green bond must successfully pass each step of the process. Eligible green bond issuers

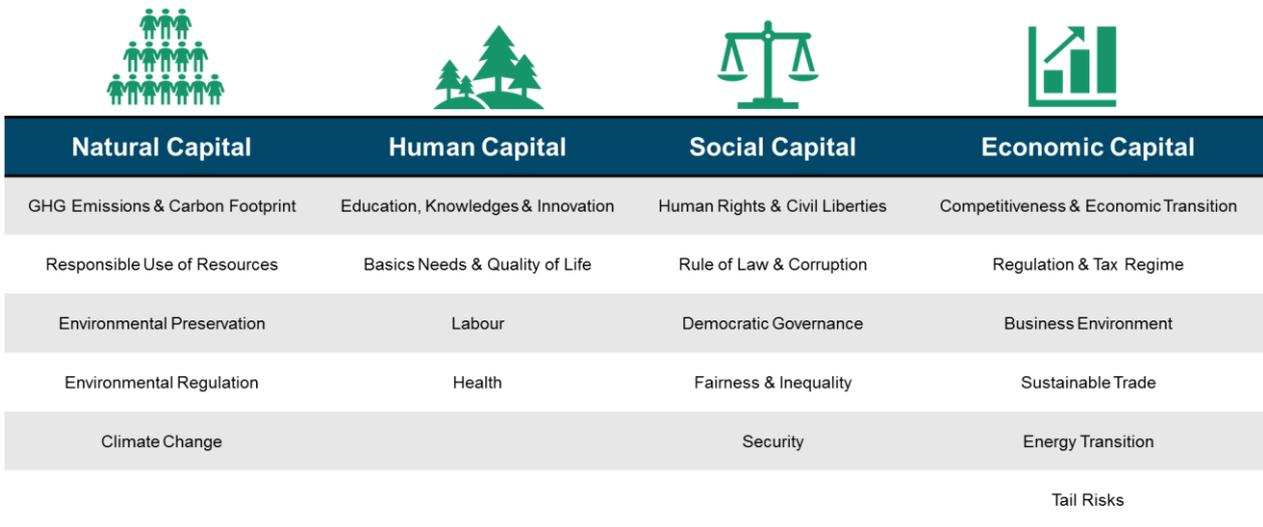
- **ANALYSIS CRITERIA FOR COUNTRIES, I.E. PUBLIC BOND ISSUERS SUCH AS PUBLIC ORGANISATIONS AND OTHERS.**

Our investible universe consists of those countries which perform best across our four categories of sustainable development criteria: **Human Capital, Natural Capital, Social Capital** and **Economic Capital**. Additionally, our sustainability framework emphasizes on the Natural Capital criteria by turning it into a multiplier for the other three capitals. Doing so, we create three environmentally efficient capitals in order to reflect the urgency of dealing with the environmental challenges ahead of us. The overall sustainability score of a country is the average of the three environmentally efficient capitals, calculated in such a way. As a result, it will be much harder for a country to compensate for environmental damage by creating another form of capital, as all capital scores will be evaluated through the environmental damage that was done in the creation of Human, Social, or Economic capitals. These

four capital domains incorporate a wide range of material ESG factors which we evaluate using our internally-defined Key Performance Indicators, or KPIs. This generates a dynamic capital-based analytical tree, which covers the sustainable development challenges and opportunities faced by each nation. This is coupled with an exclusion rules relating to high risk regimes and minimum standards of democracy. Please find below an overview of the sovereign framework:



- **Natural Capital:** Our Key Performance Indicators are designed to assess how a country conserves and sustainably employs its natural resources. We evaluate how a country manages its interaction with global environmental challenges such as climate change, consumption of resources, stewardship of biodiversity, and waste handling. This aligns with, among others, SDG number 6 - Clean Water; number 7 - Affordable and Clean Energy; number 9 - Industry, Innovation and Infrastructure (?); number 11 - Sustainable Cities & Communities (?); number 13 - Climate Action; number 14 - Life Below Water; and number 15 - Life on Land.
- **Human Capital:** Our Key Performance Indicators are chosen to assess economic and creative productivity, by evaluating education and skill levels, innovation, health, labour participation rates and employment ratios, among other sustainability themes. These address the same sustainable development goals as the following SDGs: number 1 - No Poverty; number 2 - No Hunger; number 3 - Good Health and Wellbeing; number 4 - Quality Education; number 5 - Gender Equality; number 6 - Clean Water; number 7 - Affordable and Clean Energy; number 8 - Decent Work and Economic Growth; number 9 - Industry, Innovation and Infrastructure; number 10 - Reduced Inequalities and number 11 - Sustainable Cities & Communities.
- **Social Capital:** Indicators evaluate the civil society and state institutions of each nation, including transparency and democracy, government effectiveness, corruption, inequalities and populations' level of security. This important domain evaluates a country's performance with respects to the UN SDGs number 1 - No Poverty; number 5 - Gender Equality; number 10 - Reduced Inequalities; number 11 - Sustainable Cities & Communities and number 16 - Peace, Justice and Strong Institutions.
- **Economic Capital:** We complete our model with an assessment of a country's economic fundamentals, in order to measure each government's ability to finance and support sustainable policies over the long run. These indicators provide information to address the progress towards the UN Goals including number 2 - No Hunger; number 6 - Clean Water; number 7 - Affordable and Clean Energy; number 8 – Decent Work and Economic Growth; number 9 – Industry, Innovation and Infrastructure; number 11 - Sustainable Cities & Communities; number 12 – Responsible Consumption and number 13 - Climate Action.

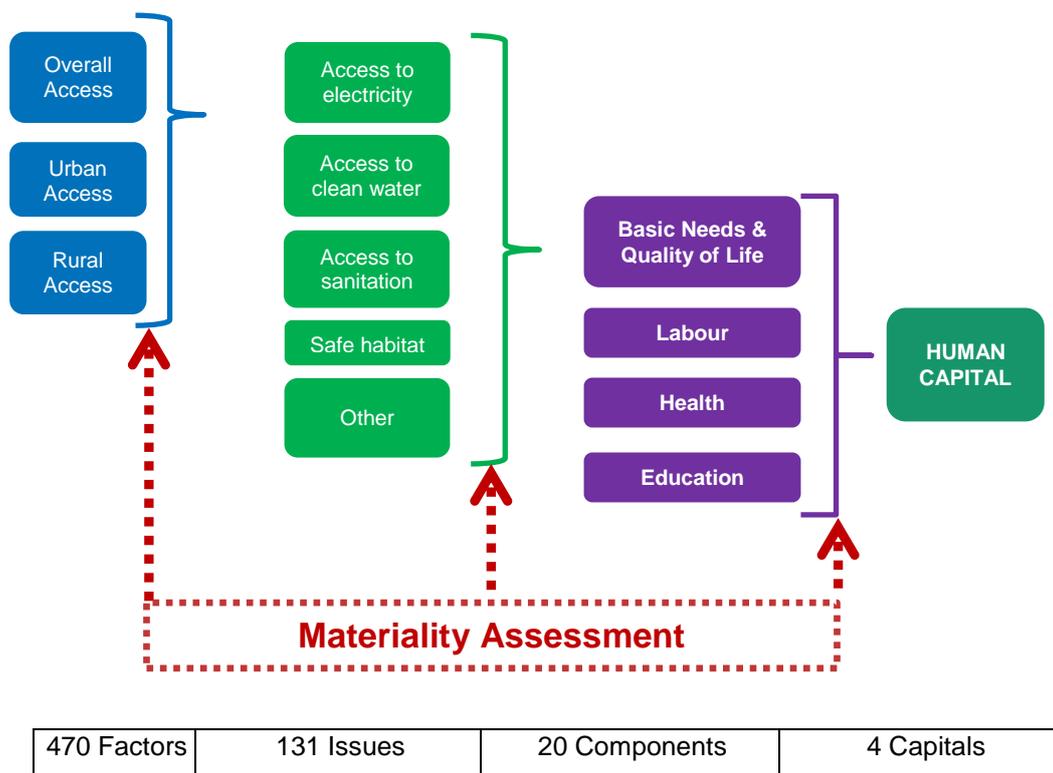


In addition, UN SDG number 17 – Partnership for the goals, is reflected throughout the framework through accounting for a country’s participation in a wide number of international agreements & conventions and is taken into account when discretionary decisions are made. Please find below a graphic illustrating how the SDGs are embedded in our framework:



Participation in international conventions is taken into account when discretionary decisions are made

We recognise that a country is much more complex than a company and therefore any approach requires a broad view on a variety of factors that influence the development of a country. These factors are interconnected, but looking at any few of them in isolation can still give a biased picture of the overall state of a country. Therefore, our framework considers more than 400 individual factors that influence countries, and evaluates the relevance of each factor for each country at every level of development and point in time in the last 20 years. It identifies key performance indicators for each issue under consideration, and constructs scores for each of the capitals, giving more weight to the areas that matter for each country in the following way:



Example above is for Illustration purposes only.

The framework is organised by starting with 470 individual data series for each country, called Factors, which are grouped into Issues, and those into Capital Components as illustrated above. These were carefully selected and are sourced from a variety of private, public, and NGO sources. These Factors capture both short, medium, and long term issues, challenges and/or opportunities and are updated at varying frequencies, depending on the nature of the information. Similar Factors are used to measure the performance of a country on an Issue. For example, Access to Electricity can be measured by evaluating three interconnected Factors - access for the overall population, for just the urban population, or just the rural population. We perform a materiality assessment of individual Factors and select a Key Performance Indicator (KPI) amongst them. The materiality of the KPI for an issue determines the importance the model assigns to an issue, along with discretionary input to highlight more forward-looking measures. Similar materiality assessment is performed at every level in the framework, ensuring that a country score properly reflects what is important for the future development of that particular country.

Every country has the same Factors, Issues and Components that comprise its score, but the importance that our materiality assessment process assigns at every level of analysis is specific for each country and each point in time.

The resulting Capital pillar scores are turned into environmentally efficient Capital scores, as described above, and then countries are ranked according to the arithmetic average of the three environmentally efficient Capitals. Constructing the Capital Pillar scores is done according to materiality for each country and for each period, which eliminates the need to have a different eligibility threshold for Developed (DM) versus Emerging (EM) economies. In the overall ranking, constructed in this way, the bottom 25% of countries are excluded from the eligible investment universe.

Finally, the countries that pass the model exclusion will be subjected to our **normative filter**, with a **hard exclusion** for countries that do not pass our Democracy and Freedom filter. This filter consists of three elements:

- Candriam’s Highly Oppressive Regimes List – severe human rights violators
- Financial Action Task Force Call for Action List – state sponsors of terrorism
- Freedom House’s Freedom in the World Index – states that are considered Not Free

In addition, discretion is applied to countries that are violators of international agreements, but such violations are not yet reflected in the available data.

ANALYSIS CRITERIA FOR SUPRANATIONAL ORGANISATIONS ISSUING BONDS

In order to be eligible for the ESG universe, supranational organisations must have a mission that complies with the principles of sustainable development and not have committed any major systematic breaches of the principles of the United Nations Global Compact.

A "red" colour code in any of the four major categories of the Global Compact results in exclusion from the ESG universe.

For further information, please refer to the Norms-based section above in this question.

3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

Each sector and country is periodically analysed by assessing the evolution of sustainability trends, as well as the relevance and materiality of each model or framework used.

The goal is to ensure that the models used by the analysts optimally reflect the sustainable development risks and opportunities affecting the sector in question. As companies are continuously being monitored, they are subject to frequent updates within the framework of the sector model.

If there is a major event that may affect the rating assigned to a company (i.e. merger and acquisition, scandal, sustainability controversy etc.) or country (i.e. war, natural disaster, coup d'Etat, etc.), the ESG analyst will launch an alert on the issuer.

There are several types of alerts that can be considered:

- SRI Monitoring Alert (for information only): This alert explains how the ESG team assessed the incident or controversy, even if there is no immediate change in the decision about the company's eligibility.
- SRI Alert: This alert means that the portfolio manager will no longer be able to add to his position in this issuer. The output of an SRI Alert can be:
 - An immediate change in the final decision on the company's eligibility criteria (from "eligible" for an SRI portfolio to "non-eligible"). In this case the portfolio manager must sell the position within a 1-month period.
 - No immediate change in the final decision on the company's eligibility, but there is a high probability that there will be a change in the near future following the result of the analysis. No immediate selling is required. Within the following three months of the alert, the company will be reviewed according to the new information. A longer period for the revision is allowed when justified by objective reasons, such as, on-going dialogue with the company or awaiting the result of a lawsuit.

4. Investment Process

4.1. How are the results of the ESG research integrated into portfolio construction?

Candriam's ESG investment process is a two-step process that first of all calls for the definition of the eligible investment universe, followed by a financial selection which includes ESG considerations to select issuers within the eligible ESG universe. Any investment outside the ESG universe is prohibited.

The selection of ESG issuers is confirmed by the ESG team on a monthly basis, and on a one-off basis in exceptional circumstances.

When there is a change in the ESG universe and an issuer is excluded, the approach consists in excluding this issuer from the SRI portfolios within a period of one month. Depending on market conditions, rare exceptions may be granted by the CIO, RM & the Global Head of ESG Investments & Research in order to accommodate, for example, a potential liquidity issue.

The Risk Management department ensures that all securities in the portfolios comply with the ESG universe.

The financial selection of issuers from within this ESG universe is based on financial analysis and the optimal management of risks and opportunities of the portfolio.

ESG considerations are taken into account within the individual investment processes. Our ESG integration approach leverages on the frameworks and analysis conducted by the ESG Team. The analysis and views resulting from the ESG analysis are embedded in our financial frameworks. The consideration of ESG aspects in the financial framework will impact the final issuer score/color and valuation for our equity strategies as well as the final credit recommendation for our fixed income strategies. To this end, integrating ESG considerations will ultimately impact the construction of the final portfolio.

► ESG Integration for Equity Strategies

At Candriam's, we integrate ESG information and analysis into equity investment decisions in order to better assess the risks and opportunities that stem from the business activities and operations of companies. Respecting and preserving the distinct nature of each philosophy and approach across our range of fundamental, thematic and emerging markets funds, Candriam's fundamental equity investment strategies are impacted at each of the following levels: *Eligible Universe, Fundamental Analysis, Valuation and Portfolio Construction*.

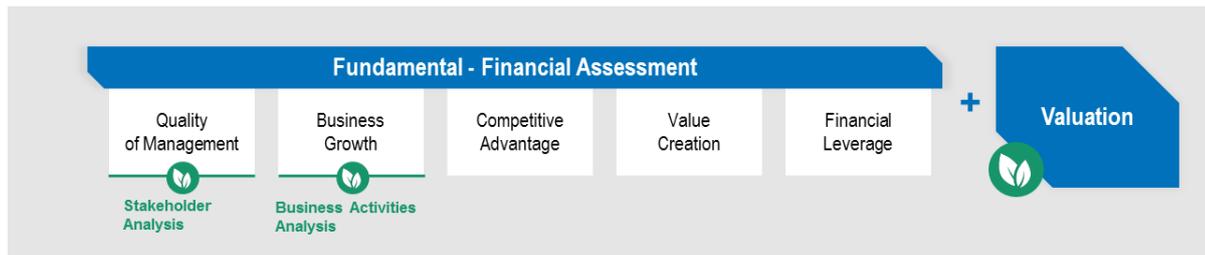
Subsequent to definition of the eligible universe by the ESG Analysis (cfr. 3.5), ESG criteria is embedded into the investment process as follows:

1. Fundamental Analysis

Candriam's fundamental analysis is based on five pillars: *Quality of Management, Business Growth, Competitive Advantage, Value Creation* and *Financial Leverage*. Each of these pillars receives a colour/score that determines the final assessment of a company.

Candriam's fundamental equity strategies³ take into account the "**Business Activities Analysis**" and "**Stakeholder Analysis**" scores in fundamental analysis and "**Company Valuation**" as follows:

³ Applicable for developed markets (Emerging Markets get a specific analysis)



Quality of Management

In order to obtain a holistic view on the overall governance and soundness a company’s management, we assess a company’s relationships with several stakeholders by considering and integrating qualitative ESG information and quantitative ESG scores that result from the ESG stakeholder analysis.

Further to the assessment of strategy, stability, track record, corporate communication and other financial criteria, we assess the Management team on its relationships with its stakeholders.

The ESG Stakeholder analysis is taken into account in the Quality of Management assessment. If the company ‘stakeholder’ score belongs to the worst rated ESG companies, the ‘Quality of Management score’ cannot be ‘green’.

Business Growth

In the assessment of business growth, the ESG Business Activities analysis of issuers is taken into account. Candriam has identified key long-term sustainability trends which strongly influence the environment in which companies operate and which influence their future market challenges and long-term growth and prosperity.

The five defined key Sustainability Trends illustrated above are analysed in order to assess the growth potential in conjunction with other key market drivers and regulatory risk.

More specifically, we consider the supply & demand dynamics as well as market drivers, the **score resulting from the ESG Business Activities analysis**, and potential regulation constraints to determine the overall score for the pillar.

Competitive Advantage

We perform an intrinsic analysis of products and services, R&D, customer support, and other areas relevant to the company's business, including opportunities and risks resulting from sustainability regulation considerations.

We use the Porter concepts to analyse the competitive position of the company in its industry, such as the threat of new entrants, threat of substitutions, and the bargaining power of suppliers and customers.

We check potential constraints resulting from sustainability regulation and assess their impact on the competitive advantage of the company, as well as risks and opportunities including **barrier to entry**.

For instance, given the ambitious climate objectives of many countries across the globe, there has been a strong emergence of regulations and legislations pertaining to emissions, pollution, amongst other environmental considerations. To this end, we expect companies that have business activities that positively contribute to those environmental objectives to outperform in the long run.

This analysis leads to a qualitative view which is taken into account in our overall assessment in this pillar.

Final Fundamental Assessment

For each criteria, companies receive one of the following scores or colors: 0/Red (weak), 1/Orange (medium) or 2 /Green (strong quality). All the five scores are then compiled in order to get a global score/colour grade of the companies which determine the “quality score” of a company: “High Quality” (Green), “Satisfying Quality” (Orange) and “Low Quality” (Red).

The **ESG assessment is a contributing factor to determine the final colour/score of a company, which in**

turn will determine the weighting of this position in the final equity portfolio.

2. Company Valuation

We further evaluate the dynamics of their profitability and growth, the liquidity of the equity, and valuation. Our valuation is predominantly based on DCF models using at least five years of projected Free Cash Flow, based on our internal projections.

We adjust the discount rate based on the final score/colour of a company which **takes into account ESG criteria**. For example, for green companies, we reduce the discounting rate within our DCF. This modification has a significant impact on the DCF- valuation.

3. Portfolio Construction

Within the eligible universe, the process is mainly colour-based, bottom-up stock selection; **weightings in the portfolio are function of the global colours of the companies**. The sector weight deviations from the benchmark are not a strategic objective; they result from our convictions on individual stocks, with top down sanity checks and other deviation boundaries.

The weight is significantly impacted by the colour grade (including the ESG score), and the upside potential derived through our valuation analysis (that takes the ESG score into account as well).

We favour companies that are 'green' in all aspects. An 'orange' company will have a lower weight and 'red' companies are in principle excluded, or extremely reduced, depending on the process.

■ Emerging Markets

ESG data is integrated as part of the stock screening. An ESG-score is calculated, based on the available EM ESG-related data on normative behaviour, controversial activities involvement, corporate governance and carbon footprint. To this end, it acts as one of the **screening indicators impacting the investment attractiveness and eventual active sizing in the portfolio**.

The ESG score is calculated on a monthly basis upon the update of the eligible universe. It is closely monitored in order to maintain an overall high quality portfolio in terms of the ESG criteria taken into account.

▶ **ESG Integration for Fixed Income Strategies**

At Candriam, ESG integration for fixed income is underlined by three key pillars:

1. a **holistic top-down approach**,
2. a focus on **material factors**,
3. A **systematic process**.

We have implemented a **dedicated Committee** that combines our credit and ESG experts to discuss ESG issues impacting specific sectors and regulatory frameworks.

1. **Holistic top-down approach**

We apply a **holistic top-down approach** requiring an overall assessment of all the aspects of a business, sector and country exposure to material ESG issues. For corporates, Candriam's ESG analysis performs a top-down assessment of how business activities are aligned with key sustainable challenges like climate change, resource and waste management among others and how the different stakeholders are being managed. For sovereign

issuers, we assess how a country manages its human, social, natural and economic capital by applying policies that support both short and long term sustainable development.

2. A focus on material factors

We focus on **Environmental, Social and Governance factors** impacting credit worthiness and/or financial performance of corporate and sovereign issuers. ESG materiality varies across sectors, countries, and, at times, at the issuer level. We use a sector-based approach to identify the aspects representing high-impact risks to enhance risk-adjusted performance.

3. A systematic process

These ESG criteria are **systematically integrated** in Candriam's corporate and sovereign credit recommendations. We do not limit our analysis to examining historic data; we use a forward looking approach, meaning that we will determine how these material factors may evolve in the future.

■ Corporate issuers:

ESG criteria are also taken into account in our credit analysis in order to better assess the risks and opportunities of each issuer. Indeed, we believe that ESG factors can affect a company's ability to repay its debt and its competitiveness in the medium and long term. Each issuer included in our strategy is carefully analyzed and assigned an internal credit recommendation. **In establishing credit recommendations, our analysts thoroughly review the business and financial profile of the issuer by including ESG criteria when assessing the issuer's profile, using a comprehensive framework applied across all sectors and rating spectrum.** For Environmental, Social and Governance factors, a proprietary framework based on Candriam's holistic ESG analysis model has been implemented to enable financial analysts to assess an ESG profile.

For each ESG factor, we establish approximately 4 to 5 key themes that we wish to analyze. Within these themes, we put in place a number of material quantitative and qualitative factors that we wish to evaluate.

Within the **Governance framework**, the key themes we have identified are :

- Strategic direction of the company;
- Conflict of interest;
- Compensation;
- Financial conduct and transparency.

As explained above, each of these themes is then broken down into quantitative and qualitative indicators. The quantitative indicators for the "Strategic Direction" theme are :

- Percentage of independent members ;
- Separation of the roles of CEO and Chairman.

Within the qualitative indicators, we use elements such as :

- Track record of the CEO;
- Composition of expertise: diversity (financial, industrial, HR).

Once the assessment has been made for each of these indicators, we then have a clear vision of how these themes can influence the credit rating of issuers. **A similar analysis is carried out on Environmental and Social factors, enabling our analysts to integrate these elements in the determination of the creditworthiness of each issuer.** Thus, beyond our controversial activities exclusions (cfr. 3.5), we also take into account indicators related to the environment based on their materiality.

A **monthly committee** bringing together **ESG and Credit analysts** has been set up to discuss sensitive or topical issues, including controversies related to the United Nations Global Compact, and to discuss and strengthen the integration of ESG factors within the Credit bond universe. This Committee provides a formal platform for

exchange, although synergies are ongoing between the two teams. A list of Credit issuers is thus drawn up. It is also during this Committee that decisions are made on whether to engage in direct or indirect dialogue with a specific issuer.

- Sovereign issuers:

- ▶ Developed Market Sovereigns

For sovereign issuers, Candriam's ESG materiality framework assesses how a country manages its environmentally efficient human, social and economic capital by applying policies that support both short and long term sustainable development. The **Environmental, Social and Governance (ESG) factors used in this ESG sovereign framework are taken into account in our country and government bond selection process, which is an important source of alpha and also an important part of our sovereign investment process.** Other sources of alpha are among others duration, curve and inflation strategy.

The analysis and selection of government bonds consists of three steps: the sovereign credit recommendation, the country valuation and the government bond selection. ESG factors are integrated in the process through the determination of our **sovereign credit recommendation**. Indeed in this analysis we integrate our macro, fiscal and ESG analysis resulting in an internal credit recommendation for every country. ESG factors are key components in our determination of sovereign risk, i.e. their ability and willingness to service debt. ESG factors are therefore integrated into our sovereign credit analysis.

Our analysis is further supported by our internal ESG country dashboard that will help us to tackle more short term risk, for example in terms of potential ESG event risk, political and structural reforms risk of a sovereign. We have therefore developed a **short-term, high-frequency country ESG model** that uses monthly and quarterly data from expert surveys globally to monitor and evaluate ongoing sustainability developments in our country universe. For further information on our country model, please refer to 3.5 in the sovereign section.

In the **country valuation**, we will then look at liquidity and compare the sovereign credit recommendation of each country against its market valuation. This gives us an indication of the relative and absolute value of the different countries in our universe and this on different curve segments. This provides an indication of both relative and absolute value.

In the third step, the **government bond selection**, we use internal tools to spot valuation opportunities among countries and by maturity bucket. We detect these opportunities through a systematic analysis of the spreads, aided by an internal Relative Value Tool (carry & roll down) and statistical analysis of the trends of spreads for each instrument.

- ▶ Emerging Market Debt

For sovereign emerging market issuers, Candriam's ESG materiality framework assesses how a country manages its environmentally efficient human, social and economic capital by applying policies that support both short and long term sustainable development. The Environmental, Social and Governance (ESG) factors used in this ESG sovereign emerging market framework are used by the **Sovereign Emerging Market Debt fund management teams** to establish a common risk scale for all Emerging Market countries based on fundamental analysis of **macroeconomic** and **structural reform/political risk trends**. We analyse and categorize all countries from our sovereign and emerging market debt universe into groups on the basis of their risk profile. **ESG factors are naturally embedded in structural reform/political risk trends assessment.**

Our structural **reform and political risk assessments** are based on annually-reported **Environmental, Social and Governance/Government** indicators.

- These **Quality of Government indicators** encompass political stability and corruption control, rule of law, absence of or levels of violence and terrorism, and regulatory quality and cost. Political accountability means building public institutions with strict audit and control systems that deter corruption practices, good management of public resources, and an independently functioning justice system. Data is sourced from the World Bank *World Development Indicators* database, updated annually.
- The **Quality of Institutions** and the assessment of the overall **Business Environment** are evaluated using the Ease of Doing Business survey. The ease of creating and running a business in a country depends on several regulatory factors such as the protection of property rights, the quality of contract enforcement, and the fair resolution of legal disputes between market participants. We favour countries in which investment is supported and regulatory burdens are limited. We assess the ability of governments to formulate and implement policies that promote economic growth. The Ease of Doing Business Index is produced annually by the World Bank.
- **Structural Reform Momentum** is tracked using both quantitative indicators, such as the Gini Index of poverty and inequality, as well as qualitative indicators. We evaluate the country's development path, fairness, percentage of population below the poverty threshold, openness and access, rule of law, voice and accountability, and political stability.
- The **Environmental Impact** using measures of the country's ecological footprint and biological capacity is also reviewed. Poverty and inequality data, including the Gini Index, are sourced from the World Bank. Ecological data is sourced from the Global Footprint Network on an annual basis.
- The assessment of the efficiency and sustainability of a country's **Monetary Policy Framework** is measured by the Central Bank's independence and credibility. Inflation targeting increases a Central Bank's credibility and its commitment to managing inflation. These variables are individually analysed, inputted, and maintained by Candriam's Emerging Markets Debt Team.

ESG factors account for 50% of our overall country creditworthiness score. We believe that this explicit integration of ESG factors is key to determining medium-term structural reform momentum and development potential.

4.2. How are criteria specific to climate change integrated into portfolio construction?

Portfolios are constructed using the eligible ESG Universe resulting from the application of our ESG proprietary frameworks which include climate change considerations. Investments teams may not invest in issuers outside of the eligible universe.

For information on how Climate Change is embedded in our ESG frameworks, please refer to question 3.4.

Furthermore, ESG factors, including Climate Change, are embedded in the financial process in order to better assess risks and opportunities. For further information on ESG integration, please refer to question 4.1.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

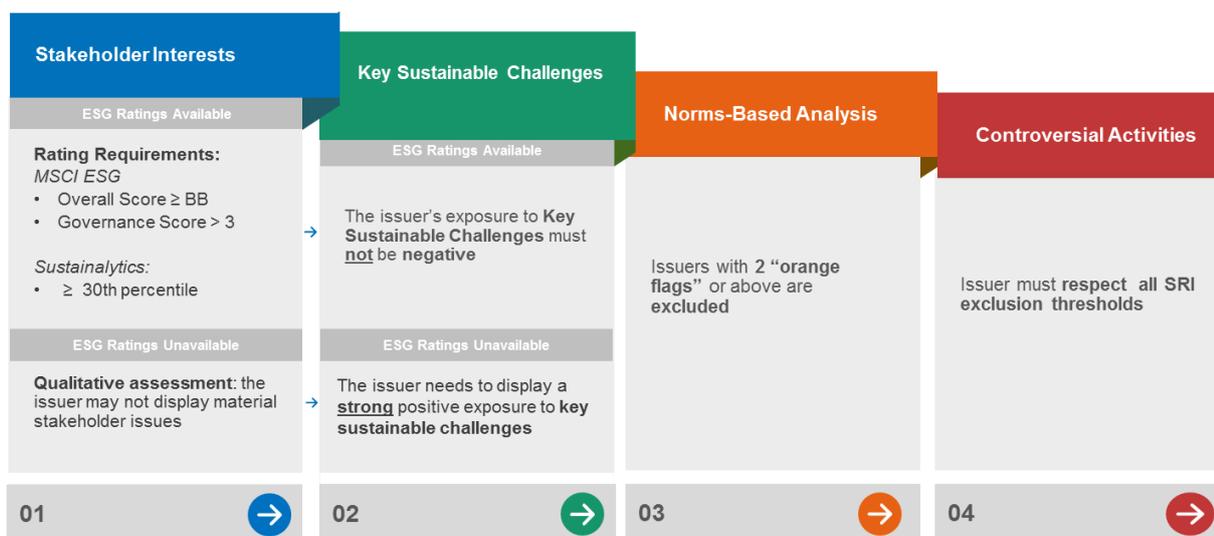
All issuers that are present in the portfolio are subject to an ESG assessment. However, due to specific events and market timing not all issuers may be subject to full ESG analysis to be eligible in the ESG universe.

Specific events (e.g. index additions, primary market issuances, etc.) may have an impact on the investment universe in between sector reviews. In order to address changes in this universe, the analyst applies a 'high-level' SRI screening methodology in anticipation of the next sector review. We refer to this screening as the SRI Express, it is applied in the same spirit of our proprietary ESG analysis with the only difference being that the result is a qualitative judgment for the inclusion or exclusion and is not a quantitative score. Each issuers will be assessed from a norms-based and controversial activities perspective. Additionally, the screening will

exclude issuers that are exposed to the most negative business models in Candriam’s Business Activities Analysis approach, and that are considered laggards in their practices towards stakeholders . Companies analysed through this methodology will be scored during the next sector review.

Express eligible issuer holdings must not exceed 10% of total portfolio weight.

Please find below an overview of the screening:



4.4. Has the ESG evaluation or investment process changed in the last 12 months?

First, there have been a minor material change within our Business Activities scoring system for the sake of harmonization. Indeed, we decided to assign for each key sustainable challenge a score ranging from 0 to +100 (previously from -10 to +10) and does not have any significant material change on our business activities analysis.

Second, we upgraded our Sovereign Sustainability Framework by turning the Natural Capital score into a multiplier for the other three capitals, in accordance with the concept of “environmental efficiency”.

By doing so, countries are now evaluated on the efficiency with which they create well-being in the form of Human, Social, and Economic capitals, while taking into account the damage done to the natural environment in the process of creating this well-being. As a result, environmental preservation takes center stage in our framework, and this is necessary in order to recognize the most significant challenge that faces humankind. This approach also aligns with the thinking in the corporate market where environmental externalities are more and more accounted for when assessing the sustainability and financial performance of a company.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

Yes, the funds covered by this Code seek to invest in entities positively contributing to society. Although the strategies do not apply an “impact” approach, they strive to exceed benchmark averages on the verifiable impact indicators.

For example, in the Stakeholder analysis of “Society” in the Micro model assesses the impacts of organisations in the communities in which they operate and how they interact with local and global institutions including NGOs and governments. The analysis comprises two main pillars - Community Relations and Public Authority Relations - which take into consideration several themes including: socio-economic relationships, site safety, access to products/services, lobbying and corruption. Together, these two pillars assess the overall impact of a company's operations on its local community and society at large.

In our framework, companies which demonstrate the pursuit of strong social goals benefit from a higher ESG score. Furthermore, in sectors in which societal interactions are key, we place a stronger emphasis on this aspect by overweighting these factors in the final ESG score.

4.6. Does (do) the fund(s) engage in securities lending activities?

The SRI funds do not conduct securities lending/borrowing.

4.7. Does (do) the fund(s) use derivative instruments?

Depending on the investable asset classes and within the limits defined by the approved prospectus, SRI portfolios may use derivatives, as defined below. The general principle on the use of derivatives is that short positions via derivatives can only be used to cover long positions. No net short positions are authorized, except in exceptional cases where adequate hedging cannot be achieved due to lack of instrument coverage.

For all derivative transactions, the fund is required to use as counterparty, only those financial institutions that comply with the principles of the United Nations Global Compact, as described in Section 3.3 of this Code at the time of the transaction.

- **Interest rate futures:** management of the funds in question involves the regular use of interest-rate futures based on government bonds belonging to the SRI universe, in order to adjust the portfolio's duration (upward or downward) across the different segments of the yield curve. These transactions are limited by the legal rules applicable to funds subject to the European Directive, i.e., to 100% of the fund's assets (including other derivatives). As the underlying is included in the SRI universe, there is no impact on the fund's ESG quality.
- **Interest-rate swaps:** management of the funds in question may involve the use of interest-rate swaps in order to trade a fixed rate for a variable rate, if the counterparty belongs to the SRI universe. These transactions are limited by the legal rules applicable to funds subject to the European Directive, i.e., to 100% of the fund's assets (including other derivatives). As the underlying is included in the SRI universe, there is no impact on the fund's ESG quality.
- **Equity swaps:** these transactions are permitted, provided that the index or basket of shares meets the criteria of the SRI universe.
- **Credit derivative indices:** management of the funds in question may involve the temporary use of credit-derivative indices, in cases where the funds must quickly adjust their exposure to the markets. These positions are temporary (max one week) and are limited to 10% of the fund's assets.
- **Credit Default Swaps (CDS):** the funds in question may use CDS on an SRI issuer in the portfolio if the counterparty to the transaction is a financial institution that also belongs to the SRI universe. As both the issuer subject to the CDS and the counterparty to the transaction belong to the SRI universe, these transactions have no impact on the fund's ESG quality.
- **Equity index futures:** management of the funds in question may involve the temporary use of equity index futures, in cases where the funds must quickly adjust the portfolio's exposure to the equity markets. These positions are temporary (max one week) and are limited to 10% of the fund's assets.
- **Forwards:** forwards are exclusively used to quickly adjust the portfolio's exposure to foreign exchange risk in the event of strong market fluctuations or a major change in the portfolio's composition. These

transactions, which have no impact on the fund's ESG quality, have to be done with a credit institution that is part of the SRI universe.

- Listed options / OTCs on individual equities or on bond issuers: these options are valid provided the issuers are in the SRI universe.

Please note that investments in commodities as well as forward contracts on commodities are forbidden.

4.8. Does (do) the fund(s) invest in mutual funds?

The strategies covered by this Transparency Code do not seek to actively invest in mutual funds. Nevertheless, certain funds may invest in liquidity solutions via money market funds. In accordance with the Internal Risk Management Policy, they may only invest in Candriam SRI UCITS & AIF which are subject to the ESG policy and is compliant with the Towards Sustainability label criteria.

5. ESG Controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

At Candriam, several departments are in charge of internal control: risk management, internal audit and compliance.

Each department is independent of the Fund Management Department and is placed directly under the authority of Candriam's Group Strategic Committee.

The risk management department ensures that the securities making up the portfolios comply with the ESG universe.

One of the tools used by this department is the constraints server, a tool that combines all the constraints and limits required to manage the investment funds. It contains regulatory and contractual constraints as well as internal limits and constraints used to prevent operational errors. Constraints are applied, for example, to the:

- ESG investment universe;
- list of authorised investments;
- potential ratios (liquidity, dispersion) defined;
- main regulatory constraints applicable to the fund;
- "list of credit warnings" and "list of equity warnings".

Once the constraints have been configured in the constraints server, any order entered by the portfolio manager is immediately checked against them before the order is sent to the markets (*ex-ante control*). The portfolio manager is alerted in the event of a breach of constraint.

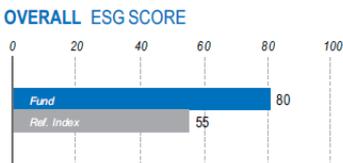
The Internal Audit Department carries out inspections and subsequently advises as necessary to ensure the performance and effective implementation of the internal control system in force. The inspection missions represent the lion's share of the audit department's work and aim to provide the Group Strategic Committee with an objective and independent assessment of a particular domain (function, process, system, ...).

6. Impact measures and ESG reporting

6.1. How is the ESG quality of the fund(s) assessed?

For developed markets corporate issuers, we measure the ESG quality of the fund is assessed through internally developed ESG scores which are measured against the fund's benchmark. We track the ESG quality using an overall ESG score as well as E, S and G scores, as illustrated below:

OVERALL SUSTAINABILITY SCORE



Score goes from 0 (worst) to 100 (best).
Coverage Rate (Fund/Index): 100.0% / 95.7%

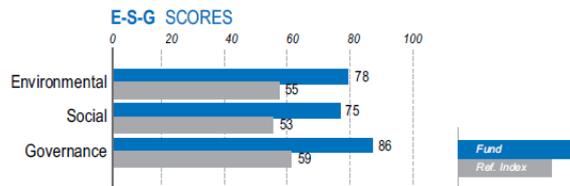
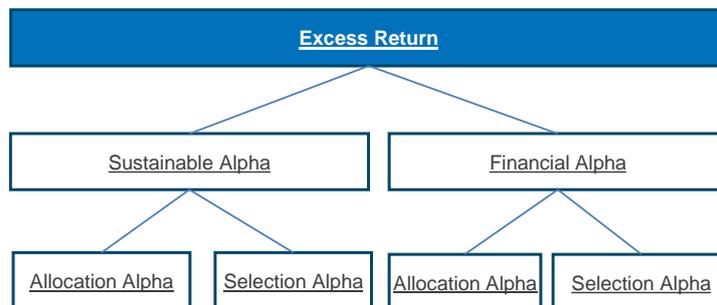


Image provided for illustrative purposes only.

For the majority of our SRI Equity Funds, we also report the proportion of performance attributed to ESG factors, and to financial investment factors. Each source of alpha is subsequently broken down according to excess return derived from Alpha allocation and Alpha selection as follows:



6.2. What ESG indicators are used by the fund(s)?

Please find below examples of ESG indicators available for developed market corporate issuers :

- Carbon Footprint:** Carbon Footprint Metrics of an investment portfolio refers to measurement of greenhouse gas (GHG) emissions by summing the proportional GHG emissions of the underlying holdings, proportional to the share of ownership. For further information on the carbon footprint, please refer to the Appendix.
- Water Consumption:** Measures the asset weighted water consumption of a portfolio normalized per million \$ invested (expressed in cubic meters water / million \$ invested). Datasourced from “Trucost”, does not include the supply of drinkable water and the wastewater that enters in the company’s facility to be treated.
- Energy Mix:** The Energy Mix of a portfolio refers to the mix (percentage-wise) of underlying energy sources used to generate electrical power by the underlying utility companies within a portfolio.

- **Waste Production:** Measures the asset weighted waste production of a portfolio normalized per million \$ invested (expressed in tons of waste / million \$ invested). Data sourced from “Trucost”, waste production data includes landfill waste, incinerated waste and nuclear waste.
- **Women on Boards:** Asset weighted Percentage of Female Board Members at the companies held in portfolio.
- **Independent Board of Directors:** Asset weighted Percentage of Independent Board Members at the companies held in portfolio.

UN Sustainable Development Goals -- The sustainability Development Goals (SDGs) are a collection of 17 global goals set by the United Nations General Assembly in 2015, to be achieved by year 2030. Through their activities, companies can directly contribute to the achievement of a number of these goals; by means of their employment policies, products and services, governance and by the way they integrate environmental and social goals into their operations.

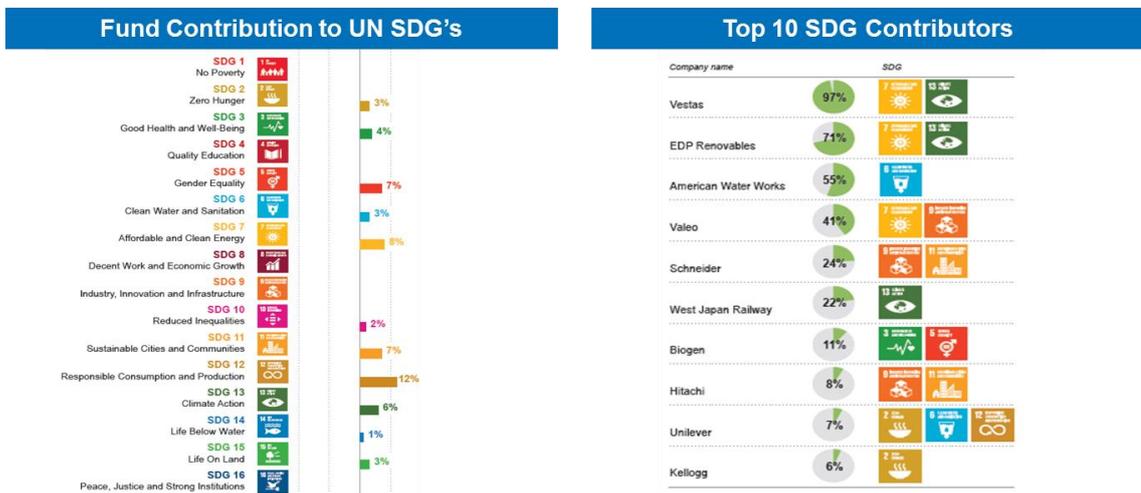
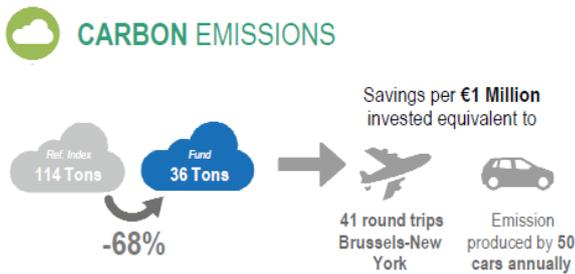
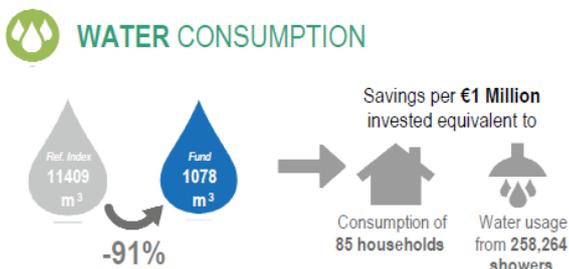


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- **Real Life Impacts** -- We aim to go beyond transparency by providing investors with a better understanding of impact indicators. We seek to bring these indicators to life in a more comprehensive manner for investors by providing real life examples of their contribution, as illustrated below:



(tons CO2eq per million € invested in fund/benchmark)
Source: Candriam, Trucost
Coverage Rate (Fund/Index): 95.7% / 97.8%



(cubic meter of water per million € invested in fund/benchmark)
Source: Candriam, Trucost
Coverage Rate (Fund/Index): 95.7% / 97.7%

► **Emissions savings:** The “Saving per 1 million € invested” indicator is based on the difference in Carbon Emissions between the Fund and the Reference Index. It compares this difference to the equivalent emissions from both commercial flights and family cars. For commercial flights, it is expressed in the number of return-flights from Brussels to New York in economy class. For family cars, it is expressed in the number of cars based on 13 000 km per year by cars emitting 120g CO2 per km on average (Source: Eurostat).

Image provided for illustrative purposes only.

- ▶ **Water savings:** The “Saving per 1 million €invested” indicator is based on the difference in Water Consumption between the Fund and the Reference Index. It compares this difference to the equivalent consumption from both the average household and number of showers. For households, it assumes an average daily consumption of 144 litres per person with 2.3 person per household. For showers, it assumes an average consumption of 40 litres per shower.

This information will also be available by the end of 2020 for corporate Emerging Markets issuers.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

The documents and information on our SRI funds address the ESG quality of the portfolio via:

- the fund's investment strategy;
- the selection of the biggest securities in the portfolio, as described in the fund report.

Details of the securities in the portfolio are also available on our corporate website, in dedicated product sheets, in the “Search for a Fund” section;

All core SRI funds are described on the corporate website via the fund-search engine:

<https://www.candriam.com/en/professional/funds-search/#/sri=true>

The Stewardship report incorporating Engagement and Proxy Voting reviews can be viewed on Candriam's website:

<https://www.candriam.com/49be49/siteassets/medias/publications/brochure/commercial-brochures/sri-brochure/stewardship-report.pdf>

Details of votes casted can be viewed on our website at the following link:

<https://www.candriam.com/en/professional/market-insights/sri-publications/proxy-voting---candriams-votes-2019/>

Candriam's Corporate Social Responsibility Report, can be viewed at the following link:

<https://csr.candriam.com/>

For any request on research available to investors/savers or the breakdown of the securities in the portfolios, please contact Investor.support@candriam.com.

6.4. Does the fund management company publish the results of its voting and engagement policies?

Yes, the company publishes the results of its voting and engagement policies.

Please refer to question 6.3. for the links to our publications.

7. APPENDIX

1. ESG Sovereign Framework & UN Global Compact Principles Considerations

Candriam's framework is specifically structured towards identifying violations of the UNGC principles, and towards excluding countries that violate the 10 principles from the investment universe.

For instance, countries that are on Candriam's Oppressive Regimes list are automatically excluded from financing. Countries on the list are those that are in systemic breach of internationally recognised human rights, addressing **Principles 1 and 2**.

Countries are evaluated according to their scores on four equally-weighted domains, according to the four capitals approach - Human, Natural, and Social Capital, as well as Economic Capital, thus addressing the UNGC principles. Each of these domains contain subdomains as follows:

- **Human Capital (Addressing Principles 3, 4, and 5)** - Labour, Health, and Knowledge
- **Natural Capital (Addressing Principles 7, 8, and 9)** – Total Environmental Impact, Transportation Policy, Non-GHG emissions, Energy & Climate Change, Ecosystems & Biodiversity, Water consumption & Emissions, Raw Materials & Wastes, and Exposure to natural hazards & management of disasters
- **Social Capital (Addressing Principles 1, 2, 6, and 10)** - Democracy, Corruption & The Rule of Law, Governance, Fairness, and Peace
- **Economic Capital** – Indebtedness, Economic activity, Budget Deficit, Health of the Financial System, International Competitiveness & Balance of Payments, Economic Positioning, and Foreign Dependency

In addition to this, Candriam applies several exclusion filters, as follows:

- Freedom in the World Index, World Bank Control of Corruption, and World Bank Voice and Accountability – a country is required to achieve a minimum threshold for each of these metrics. Failing one or more of these thresholds results in the Social Capital score of a country being set at Zero, which severely impairs the overall score (up to 25% of the overall score), and results in a country being excluded from the investment universe in the vast majority of cases.
- Financial Action Task Force – any country on the “call to action” list automatically receives an overall score of Zero, and is thus not eligible for inclusion in the investment universe.
- Oppressive regimes list – any country that appears on Candriam's Oppressive Regimes list is automatically excluded from investment eligibility

2. Additional information – Carbon Footprint

tCO₂-eq: Carbon dioxide (CO₂) is the most common GHG emitted by human activities, in terms of the quantity released and the total impact on global warming. As a result the term “CO₂” is sometimes used as a shorthand expression for all green house gases. A portfolio's carbon footprint is measured in tonnes of carbon dioxide equivalent (tCO₂-eq) which allows to bundle the various greenhouse gas emissions in a single number. For any quantity and type of greenhouse gas, CO₂-eq signifies the amount of CO₂ which would have the equivalent global warming impact. Scope 1, 2 and 3: The international GHG Protocol classifies a company's GHG emissions into three 'scopes':

- Scope 1 emissions are direct emissions from owned or controlled sources
- Scope 2 emissions are indirect emissions from the generation of purchased energy
- Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions

All Carbon Footprint Metrics analysed in our reporting are based on both Scope 1 and Scope 2 data sourced from the specialist data-provider "Trucost". Good quality Scope 3 data currently does not exist because of the complexity to measure and control upstream and downstream value chain data. That also entails that so-called 'avoided emissions' are excluded from the Carbon Footprinting analytics.

Carbon Footprint Metrics: One can distinguish between four Carbon Footprint Metrics:

- (1) Total Carbon Emissions
- (2) (Normalized) Carbon Emissions
- (3) (Normalized) Carbon Intensity
- (4) Weighted Average Carbon Intensity (WACI)

(1) Total Carbon Emissions: measures the total GHG emissions of a portfolio in the most literal sense by summing all the GHG emissions of the underlying holdings, proportional to the share of ownership. The dependence of this measure to a portfolio's specific size makes this metric of limited usefulness for benchmarking and comparison purposes.

(2) (Normalized) Carbon Emissions: measures the asset weighted carbon emissions of a portfolio normalized per million \$ invested (expressed in tCO₂-eq / million \$ invested).

(3) (Normalized) Carbon Intensity: measures the asset weighted carbon emissions of a portfolio normalized per million \$ of revenue (expressed in tCO₂-eq / million \$ revenues). This metric provides an indication of the amount of GHG emitted by the holdings in a portfolio to generate 1 million \$ of revenue.

(4) The Weighted Average Carbon Intensity (WACI) is the sum product of the portfolio's holdings weights and Carbon Intensities, where holdings' Carbon Intensities are calculated as the company's total carbon emissions divided by the company's total revenues.

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The present document does not constitute investment research as defined by Article 36, paragraph 1 of the Commission delegated regulation (EU) 2017/565. Candriam stresses that this information has not been prepared in compliance with the legal provisions promoting independent investment research, and that it is not subject to any restriction prohibiting the execution of transactions prior to the dissemination of investment research.

Candriam consistently recommends investors to consult via our website www.candriam.com the key information document, prospectus, and all other relevant information prior to investing in one of our funds, including the net asset value ("NAV") of the funds. This information is available either in English or in local languages for each country where the fund's marketing is approved.

Specific information for Swiss investors: The appointed representative and paying agent in Switzerland is RBC Investors Services Bank S.A., Esch-sur-Alzette, Zürich branch, Bleicherweg 7, CH-8027 Zurich. The prospectus, the key investor information, the articles of association or as applicable the management rules as well as the annual and semi-annual reports, each in paper form, are made available free of charge at the representative and paying agent in Switzerland