



Candriam article 8 Index Strategies

Transparency code

Statement of Engagement

Sustainable & Responsible Investment (SRI) is an essential part of Candriam's strategic positioning and ethos. We have been committed to SRI since 1996.

The Transparency Code can be accessed below and is available in the annual report of the funds and on our website.

Please note that we have also drafted Transparency codes for:

- Article 9 sustainable strategies.
- Strategies which invest in sustainable & responsible companies in emerging markets.
- European strategies, which invest in innovative & responsible companies in Europe.
- Other Equities, Bonds & Multi-Assets strategies classified as Article 8.
- Index strategies, which incorporate ESG criteria into their investment process, in accordance with a dedicated index management strategy.
- ETF strategies, which integrate ESG criteria into their investment processes.

The Transparency Codes for all the above-mentioned funds are available on our corporate website and our dedicated SRI website:

[SRI Publications | Candriam](#).

June 2025

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1. List of Funds Covered by the Code

SRI strategy	Asset Class	Exclusions standards and norms	Labels
<input type="checkbox"/> Best in Class <input type="checkbox"/> Best in Universe <input checked="" type="checkbox"/> Engagement & Voting <input checked="" type="checkbox"/> ESG Integration <input checked="" type="checkbox"/> Exclusion <input type="checkbox"/> Impact investing <input checked="" type="checkbox"/> Norms-based Screening <input type="checkbox"/> Sustainability Themed	Passively managed <input checked="" type="checkbox"/> Passive investing – core benchmark: specify the index tracking : - <i>MSCI EMU</i> - <i>MSCI Europe</i> - <i>MSCI World</i> - <i>MSCI EM</i> - <i>MSCI USA</i> - <i>iBoxx Euro Corporates</i> - <i>JP Morgan EMU IG</i> - <i>JP Morgan EMU 10 Y+</i> - <i>JP MORGAN EMU 1-3 Years</i> <input type="checkbox"/> Passive investing –ESG/SRI benchmark: specify the index tracking Actively managed <input type="checkbox"/> Shares in a euro area country <input type="checkbox"/> Shares in an EU country <input type="checkbox"/> International Shares <input type="checkbox"/> Bonds and other debt securities denominated in euro <input type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input type="checkbox"/> Arms <input type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights <input checked="" type="checkbox"/> Labour rights <input type="checkbox"/> Gambling <input type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input checked="" type="checkbox"/> Thermal Coal <input type="checkbox"/> CO2 intensive (including coal) <input type="checkbox"/> Genetic engineering <input checked="" type="checkbox"/> Global Compact <input checked="" type="checkbox"/> OECD Guidelines for MNCs <input checked="" type="checkbox"/> ILO Conventions <input type="checkbox"/> Other (please specify)	<input type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag Label <input type="checkbox"/> FNG Label <input type="checkbox"/> Austrian Ecolabel <input type="checkbox"/> Other (please specify)

This table is an overview of the general categories. However, the SRI strategies, asset classes, exclusion standards, and labels can vary by fund.

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:

[Transparency Code | Candriam](#)

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 company that manage the applicant funds is the following:

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

Please consult our website for further information: www.candriam.com.

Any question regarding sustainable and responsible investment (SRI) at Candriam can be e-mailed to the following address: [Contact | Candriam](#).

Our assets under management dedicated to ESG-related products have reached €116 billion which represent 75% of our total AUM, as of 30th December 2024.

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 our SRI and ESG processes, both active and indexed, are covered by publicly available transparency and methodology descriptions such as the 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.

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, Employees, 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.

2021 – Joining the Net Zero Asset Manager Initiative. Candriam Announced on the 1st November 2021 advanced decarbonisation ambition and joins the Net Zero Asset Managers Initiative with the aim

to secure a 50% reduction in greenhouse gas emissions across a significant share of its investment portfolio by 2030 and will pursue net zero emissions of its investment portfolio by 2050 or sooner.

2021 – Impact Private Debt with Kartesia. Since 2021, Kartesia, as a leading private debt expert, has significantly bolstered its commitment to sustainability by embarking on a partnership with Candriam, as a renowned pioneer in ESG with over 25 years of expertise in Sustainable and Impact Investing, to launch one of the very first European Direct Lending Impact strategy within the industry. This unique strategy marks a significant milestone in Kartesia's sustainability journey and aims to actively pursue investment opportunities that directly and significantly contribute to the UN SDGs.

2023 – Publication of Candriam's Climate Strategy. In 2022, we further integrated climate change at the heart of our ESG strategy and investment philosophy by committing to net zero by 2050 with very ambitious 2030 objectives. We joined the Net Zero Asset Managers Initiative (NZAMI) in November 2021. As part of this commitment, we published an updated Climate Strategy in April 2023. This reflects our awareness and integration into our investments of the fact that our climate is changing faster and faster, bringing our world closer to disastrous social and economic consequences every year.

2024 – Launch of first sustainable Long-Short Strategy. In 2024, Candriam launched its first sustainable long-short strategy, aimed at investors seeking to navigate the complexities of the credit markets with a focus on sustainability. This strategy is designed to provide uncorrelated returns and controlled volatility, leveraging Candriam's extensive experience in sustainable investing and credit analysis.

2024 – Publication of Candriam's Biodiversity Strategy. In 2024, Candriam published its Biodiversity strategy, based on the proprietary model that we developed in-house over the years prior. This strategy addresses the urgent issue of biodiversity loss, emphasising its significant impact on global markets and economies. Candriam's approach highlights the necessity of integrating biodiversity considerations into investment decisions to mitigate risks and foster sustainable growth. This strategy acts as a catalyst to accelerate our commitment to biodiversity preservation.

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

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:

[Exclusion Policy | Candriam](#)

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:

[Sustainability Risk Management Policy | Candriam](#)

[Engagement Policy | Candriam](#)

[Proxy Voting Policy | Candriam](#)

Integration of Sustainable 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 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:** supported by Candriam's ESG and CSR experts, meet regularly to sets out the strategic orientations for both ESG investing (both product and commercial wise) and CSR.
- **A company-wide Sustainability Risk Committee:** reports to the GSC, and 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.

Types of risks

	Risques	Opérationnel	Réputationnel	Stratégique	Financier
Risques Climat	Risques Physiques	✓	✓		
	Risques de Transition - valeur de l'actif			✓	
	Risques de Transition - Contraintes légales et de marché	✓		✓	✓
	Risques de Transition - financement		✓		✓

Candriam decided to exclude companies on a firm-wide level displaying more than 5% 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 [Climate Policy | Candriam](#).

Furthermore, as described in the previous section, 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. 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.

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 specialize 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, an ESG Masterclass is organized on a regular basis to provide an extensive understanding of ESG related topics while educating our Portfolio Managers & Analysts to meet their sustainable investment objectives. This unique opportunity has been designed to provide not only training related to sustainability issues, but also information on new ESG developments and sector analysis developed by our dedicated ESG team.

2.6. 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"/> Other	<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 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"/> Other: TCFD <i>- Please refer to the section below for further information</i>	<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 <i>- Please refer to the section below for further information</i>	<input type="checkbox"/> ICGN - International Corporate Governance Network <input checked="" type="checkbox"/> Other <i>- Please refer to the section below for further information</i>

- Please refer to the section below for further information			
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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:

[Candriam](#) | [Signatory Profile](#) | [PRI](#)

Candriam’s sustainable commitments and collaborative Initiatives

As an investor and a company, we are committed to acting responsibly. For the latest on Candriam’s sustainable commitments and collaborative initiatives, please refer to our Engagement & Voting report, available on our website: [Engagement & Voting Report](#)

2.7. What is the total number of SRI assets under the company’s management?

Our assets under management dedicated to ESG-related products have reached €116 billion as of 30th December 2024.

2.8. What is the percentage of total SRI assets under the company’s management?

Our assets under management dedicated to ESG-related products represent 75% of our total AUM, as of 30th December 2024.

2.9. 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:

[Transparency Code](#) | [Candriam](#)



3. General information about the SRI fund(s) that comes 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.

ESG integration is imperative as some of the sustainability challenges we face could test the resilience of financial and economic systems, whilst offering opportunities to foster innovation through our investments. This goes beyond environment and includes the social and governance dimension of corporate behaviour. Fully integrating ESG reflects our conviction that specific environmental, social and governance issues are being and/or will be priced in by financial markets participants through policy and/or societal change.

In this regard, financial metrics and accounting statements published by company are inherently backward looking and tell only part of the story. ESG analysis adds essential layers of information that capture the “intangible” aspects of a business not fully captured by traditional financial analysis. A growing share of companies' value is comprised of intangible risks and opportunities like brand, reputation, human capital and innovation. Sustainability affects those aspects directly and, as a consequence, makes it a relevant consideration within every investment strategy.

3.2. What internal or external resources are used for ESG evaluation of the issuers who makes 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 integrate ESG information in order to better assess the risks and opportunities that stem from the business activities and operations of companies. 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.

Importantly, our ESG analysts conduct quality assessments on all external data used, and on the underlying methodologies.

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

Rating Agencies	Certification	Scope	Types of Screening	Link	Used since
Carbon4 Finance*	-	International Companies	Environmental Data based on energy transition & adaptation to climate change	https://www.carbon4.com/	20/11/2020
Equileap	-	International Companies	Gender equality criteria	https://equileap.org/	01/07/2020
ISS	-	International Companies	Norms-based Criteria Screening criteria used to exclude the weapon industry Sustainable Development Goals measurements	https://www.issgovernance.com/esg/	01/10/2011
Sustainalytics	-	International Companies	ESG Criteria – Controversial Activities – Norms-based Criteria, EU Taxonomy	https://www.sustainalytics.com/	15/7/2018
Urgewald	-	International Companies	ESG Criteria – Controversial Activities – Fossil fuel industry data	GCEL 2023 Global Coal Exit List Home gogel	01/01/2023
S&P Trucost	-	International Companies	Environmental Data Greenhouse gas emissions, energy mix, percentage of exposure to fossil fuels	https://www.trucost.com/	1/12/2015
Bloomberg	Gender-Equality Index	International Companies	International standardized reporting and disclosure method for workplace gender data.	www.bloomberg.com/GEI	01/01/2015
MSCI ESG Research	-	International Companies	ESG Criteria – Controversial Activities – Norms-based Criteria, some PAI	https://www.msci.com/esg-integration	01/05/2013
RepRisk	-	Sovereign Issuers	ESG Country risk metrics and analysis	https://www.reprisk.com/	01/01/2020



MapleCroft	-	Sovereign Issuers	Country risk metrics and analysis	https://www.maplecroft.com/	14/10/2019
PRS Group	-	Sovereign Issuers	Quantitative data, political risk and country risk ratings	https://www.prsgroup.com/	04/10/2019
EIU	-	Sovereign Issuers	Country risk metrics and analysis Country energy data	https://www.eiu.com/n/	03/10/2019
EDGAR	-	Sovereign Issuers	GHG intensity of investee countries	EDGAR - The Emissions Database for Global Atmospheric Research	01/02/2022

Rating Agencies	Certification	Scope	Types of Screening	Link
Carbon4 Finance*	-	International Companies	Environmental Data based on energy transition & adaptation to climate change	https://www.carbon4.com/
Equileap	-	International Companies	Gender equality criteria	https://equileap.org/
ISS	-	International Companies	Norms-based Criteria Screening criteria used to exclude the weapon industry Sustainable Development Goals measurements	https://www.issgovernance.com/esg/
Sustainalytics	-	International Companies	ESG Criteria – Controversial Activities – Norms-based Criteria, EU Taxonomy	https://www.sustainalytics.com/
Urgewald	-	International Companies	ESG Criteria – Controversial Activities – Fossil fuel industry data	GCEL 2023 Global Coal Exit List Home gogel
S&P Trucost	-	International Companies	Environmental Data Greenhouse gas emissions, energy mix, percentage of	https://www.trucost.com/

			exposure to fossil fuels	
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, some PAI	https://www.msci.com/esg-integration
RepRisk	-	Sovereign Issuers	ESG Country risk metrics and analysis	https://www.reprisk.com/
MapleCroft	-	Sovereign Issuers	Country risk metrics and analysis	https://www.maplecroft.com/
PRS Group	-	Sovereign Issuers	Quantitative data, political risk and country risk ratings	https://www.prsgroup.com/
EIU	-	Sovereign Issuers	Country risk metrics and analysis Country energy data	https://www.eiu.com/n/
EDGAR	-	Sovereign Issuers	GHG intensity of investee countries	EDGAR - The Emissions Database for Global Atmospheric Research

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/>)
- **Fraser Institute:** measure of human freedom, understood as the absence of coercive constraint (<https://www.fraserinstitute.org/>)
- **Transparency International (CPI):** measure of public sector corruption. (<https://www.transparency.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.
- **ND-Gain Index:** assesses countries' vulnerability to climate change and other global challenges in combination with their readiness to improve resilience.

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's products aim to have a long-term positive impacts on key sustainability objectives relating to environmental, social and governance challenges. To evaluate this, Candriam conducts an impact assessment for corporates, based on their "business activities", exposure and contribution to Key Sustainable Challenges (KSC) and the management of their stakeholders. For sovereign issuers, we evaluate notably how environmentally efficient countries are in developing their Human, Social, and Economic Capitals.

In order to integrate sustainable characteristics and participate in sustainable objectives, Candriam's Article 8 products use an investment strategy that aims at reducing ESG risks as well as "Principle Adverse Impacts". To achieve this, the investment strategy employs a disciplined and comprehensive ESG framework. Candriam's proprietary ESG analytical framework for corporates and sovereigns sets clear requirements and minimum thresholds to identify the companies/countries that qualify as sustainable investments.

Under article 2(17) of the European Union's Sustainable Finance Disclosure Regulation (EU Regulation 2019/2088 - SFDR), a 'Sustainable Investment' is defined as an investment:

- **(1) in an economic activity that contributes to an environmental objective**, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy,
- **(2) or an investment in an economic activity that contributes to a social objective**, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities.
- **(3) provided that such investments 'do not significantly harm' (DNSH) to any of those objectives¹.**
- **and (4) that the investee company follows good governance practices**, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Candriam uses its proprietary ESG analytical framework to conduct in-depth assessments of issuers' overall sustainability and of their alignment with the aforementioned criteria².

Good governance assessment of investee companies forms an integral part of Candriam's article 8 financial products that promote environmental or social characteristics. In addition, whenever article 8 and/or article 9 products invest in an article 6 product, the good governance principle will also apply to all constituents of that specific Article 6 product.

Please refer to our website to access information regarding Candriam's Sustainable Investment Definition under SFDR:

[Sustainable Investment Definition | Candriam](#)

¹ Delegated Regulation (EU) 2022/1288 The principle of 'do not significant harm' is linked to the disclosures of principal adverse impacts of investment decisions on sustainability factors. For that reason, financial product disclosures about the 'do not significant harm' principle should explain how the indicators for adverse impacts have been taken into account.

² Candriam's process for assessing issuers' alignment with the regulatory criteria for 'Sustainable Investments' is based on Candriam's current understanding of regulatory standards and is subject to review at any time.



Contribution to an environmental and/or social characteristic

Basic principles of ESG analysis for developed markets corporate issuers

We believe that all companies we invest in must display strong ESG practices. We exclude all companies that do not respect our company-wide exclusion policy and companies that have breached the principles of the United Nations Global Compact. This exclusion filter is coupled with an 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.

Then, all portfolio managers monitor and take into account the sustainability information that they receive from the ESG team and integrate them into their investment processes and decisions in order to better assess the risks and opportunities for each issuer. This ESG integration approach will impact the fundamental and/or credit analysis of issuers, valuation and/or ultimately impact the final portfolio construction.

The ESG Universe is constructed using Candriam's proprietary ESG analysis framework comprising the following pillars:

two negative screening dimensions:

- **Controversial Activities Analysis:** We exclude companies with exposure to activities that do not embody sustainability
- **Norms-Based Analysis:** Companies must respect international norms such as the UN Global Compact

two positive screening dimensions:

- **Business Activities Analysis:** We assess company exposure to five key sustainable challenges central to Long-Term Sustainability.
- **Stakeholders Analysis:** Companies are evaluated on their management of six types of stakeholders.

As further described in section 3.5, this analysis is applied through two interconnected processes:

- **Overall ESG assessment:** Evaluating the overall sustainability of issuers, resulting in an ESG Rating for each issuer.
- **Specific E/S contribution assessment:** Using specific ESG elements to assess contributions to environmental and/or social objectives, resulting in an Environmental Contribution Score and/or Social Contribution Score for each issuer.

and the overarching Engagement dimension:

- **Engagement:** Dialogue and Proxy Voting are also a key feature of our investment process.

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

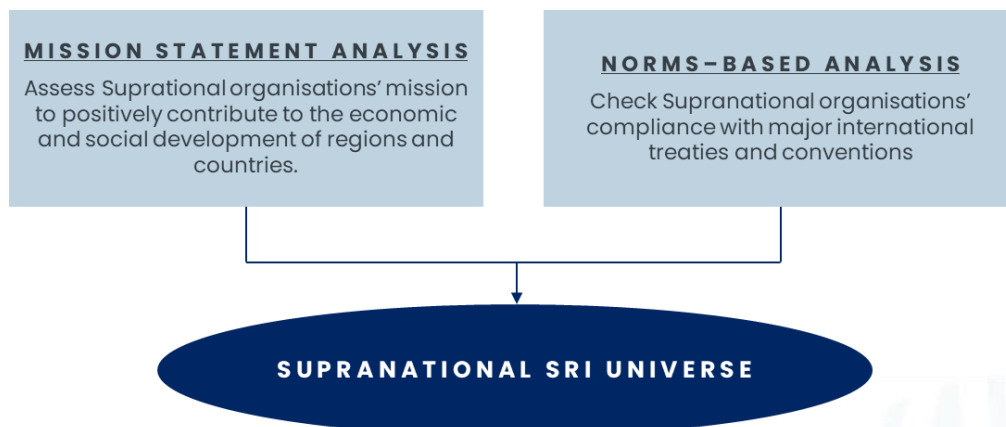
Basic principles of ESG analysis for countries, i.e. public bond issuers such as public organisations and others

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.

For sovereign issuers, portfolio managers monitor and consider the overall sustainability score of a country. The latter recognize how countries perform best across our four Capitals of sustainable development criteria: Natural, Human, Social and Economic Capital. These four capital domains incorporate a wide range of material ESG factors which the ESG team evaluate using our internally defined Key Performance Indicators (KPIs). This generates a dynamic capital-based analytical tree, which covers the sustainable development challenges and opportunities faced by each nation, a valuable source of information for portfolio managers.

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.

Do Not Significantly Harm (DNSH):

The principle of "Do Not Significantly Harm" (DNSH) under the European Union's SFDR plays a key role in the classification of sustainable activities. It is linked to the consideration of the Principle Adverse Impacts (PAIs) and the alignment of the investments with the so-called "minimum safeguards". These factors are taken into account through our negative screening (composed of Norms-based Analysis and Controversial Activities Analysis), through our overall ESG assessment, and through our stewardship activities (engagement and voting).

Additionally, our negative screening also allows us to evaluate whether minimum safeguards with regards to international norms and conventions are in place. This process allows for the exclusion of activities could harm environmental and/or social sustainability.

Please refer to our website to access information regarding Do not Significantly Harm (DNSH) and PAI Consideration in Candriam's ESG Analysis: [SRI Publications | Candriam](#)

Principle Adverse Impacts (PAIs):

Principle Adverse Impacts are defined as negative, material or likely to be material effects on sustainability factors (as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters) that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity.

Candriam considers principle adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process. PAIs are considered in our ESG analytical frameworks through three complementary steps:

- **Negative screening:** PAIs and minimum safeguards, the cornerstones of the DNSH principle, are considered via our negative screening process, which encompasses Controversial Activities Analysis and Norms-based Analysis.
- **ESG assessment:** Candriam also integrates the DNSH principle, and in particular the PAIs, via its ESG assessment. This assessment is done using Candriam's proprietary ESG analytical framework. The framework is applied at two levels: First, to examine and score the overall sustainability of each issuer and second, to measure each issuer's environmental and social contributions.
- **Stewardship (engagement & voting):** Candriam's engagement activities contribute to avoiding or reducing the extent of PAIs via dialogue and voting activities. Stewardship contributes to avoid and/or reduce adverse impacts on sustainability objectives, the financial product also considers adverse impacts in its interactions with companies, through dialogue and voting.

In addition, we have implemented a **PAI monitoring process**. The process serves as an additional layer that ensures the in-depth integration of PAIs and of the DNSH principle into our sustainable investment decisions.

Please refer to our 'Sustainable Investment Definition under Sustainable Finance Disclosure Regulation' (SFDR) and Candriam's 'Do not Significantly Harm (DNSH) and PAI Consideration in ESG Analysis' for more information regarding the above steps. These documents are available via: [SFDR Publication | Candriam](#).

Minimum safeguards:

In addition, exclusionary screens, based on norms-based assessment and controversial activities analysis, ensure that minimum safeguards referring to international norms and conventions are in place and that activities that are harmful to environmental or social sustainability are excluded.

Good governance:

Our good governance assessment is based on our ESG Rating Methodology and comprises four pillars (as per the below). In this context, Candriam relies on its Norms-based Analysis and its Stakeholder Analysis. Investee companies are only eligible for investment if they pass all elements of this good governance screening/assessment. The four pillars are evaluated as follows:

- Sound management structure: assessed through Candriam's Norms-based Anti-corruption/governance analysis and Candriam's Investor Stakeholder Analysis.
- Employee Relations: evaluated through Candriam's norms-based Labour Rights analysis.
- Remuneration of staff: analysed through the norms-based Anti-Corruption/Governance analysis.
- Tax Compliance: assessed through the Norms-based Anti-Corruption/Governance analysis.

In summary, investee companies that:

- Violates at least one of the four UN Global Compact Principles on Labour and/or the principle on Anti-corruption based on Candriam's Norms-based Analysis are RED flagged, and, consequently not eligible for investment in Article 8 and 9 products.
- Have a score below 10 on the Investor pillar of the Candriam's Stakeholder analysis are not eligible for investment in Article 8 and 9 products.

Our norms-based analysis determines whether an issuer complies to the 10 Principles of the United Nations Global Compact ("UN GC") for each of the four themes: (1) Human Rights, (2) Labour Rights, (3) Environment, and (4) Anti-Corruption. Furthermore, the conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights are among the international references embedded in the normative analysis and Candriam's ESG analysis framework.

Candriam assesses any breach of international standards and principles through internal analysis, combined with, if available, external research. The "breach" analysis/assessment is performed by our ESG analysts and enables Candriam to offer a qualitative review of breaches/violations of those standards to fund managers and financial analysts.

For further information on our Norms-Based Analysis, please refer to question 3.5.

The purpose of Candriam's Stakeholder analysis is to assess the ability of an issuer to interact with its different stakeholders and incorporate its stakeholders' interests within its long-term strategy to prevent risks and seize potential opportunities. Candriam has defined 6 key stakeholders:

- Investors
- Employees
- Customers
- Suppliers
- Society
- Environment

The interactions of the investee companies with each of these stakeholders is then assessed through pillars composed of Key Performance Indicators ("KPIs"), as the below example demonstrates:

The Investors analysis assesses how an issuer manages its relationship with investors, through 6 pillars and 15 KPIs:

- Strategic Direction: independence Board of Directors, composition Board of Directors, expertise Board of Directors, track record of the CEO and succession planning.
- Avoiding conflict of interest: audit committee independence, audit committee expertise, auditor's independence.
- Compensation: remuneration structure, CEO pay ratio evolution, other compensation elements
- Share capital: one share – one vote and anti-takeover mechanisms.
- Financial conduct and transparency: fraud and financial misconduct investigations, auditor's opinion, tax evasion.
- ESG governance: Board & Management oversight of climate related risks & opportunities.

The scoring of investee companies are absolute (they are not made sector relative) and we consider the threshold of a sound management to be minimum 10 (out of 100), any issuer with a score below that threshold is excluded.

Candriam's Engagement and Voting activities in support of Candriam "Good Governance" assessment:

- We believe engagement is pivotal to a good governance and thus we conduct an annual pre-AGM (Annual General Meeting of shareholders) campaign. These dialogues focus on the composition and responsibility of the board, as well on the compensation policy of the target companies.
- The voting season is also the occasion to foster better corporate governance by voting against the management in case of misalignments with our own good governance definition. Apart from the dialogues and vote, we may also raise our voice on governance matters via questions and/or resolutions co-filing at AGMs. Pre-announcing our voting intentions is also a way to escalate our concerns or commend companies for improvement after respectively unsuccessful or successful engagement. We have formalized these pre-announcements since 2023 ([Pre-declaration of Voting Intentions | Candriam](#)).

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

We apply a norms-based and controversial activities filter to exclude issuers which may represent high risk due to violation of international laws and non-sustainable activities.

Furthermore, the strategy excludes corporate issuers deriving more than 5% thermal coal. This exclusion is part of our efforts to tackle climate change.

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 organisations.
- Supranational organisations issuing bonds.

Candriam's forward-looking ESG Analysis framework comprises five dimensions structured as follows:

Two negative screening dimensions:

1. Controversial Activities

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

- **Type of involvement:** either direct or indirect involvement 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:** 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.

The exclusion thresholds, accordingly to the exclusion level applied to the fund, are shown in the table below:

Level 1 Company-wide Exclusions ¹	
Exclusion of controversial corporate activities:	
Controversial Armaments banned by international conventions or local regulations	<ul style="list-style-type: none"> • Any involvement in: Anti-personnel landmines; Cluster bombs; Depleted uranium; Chemical weapons; Biological weapons; White phosphorus; Blinding lasers and Non-detectable fragments
Thermal Coal	<ul style="list-style-type: none"> • Companies with >5% revenues from the value chain of thermal coal including power generation² • Companies developing new projects in coal extraction, coal power generation or coal transportation
Tobacco	<ul style="list-style-type: none"> • 5% revenue threshold • Production: any involvement
Exclusion of sovereign issuers:	
Oppressive regimes	<ul style="list-style-type: none"> • Debt of sovereign or quasi-sovereign entities on Candriam's Oppressive Regimes List
Norms	<ul style="list-style-type: none"> • Candriam's Out List: Companies that present the most severe violations of the UNGC³ Principles and the OECD Guidelines for Multinational Enterprises^{4,5}
¹ Candriam's exclusion policies are subject to the constraints inherent to the availability of ESG data and to the underlying data methodologies. Thresholds are analysed and implemented on a best-effort basis. ² Certain exceptions may apply, as further described below ³ UNGC: United Nations Global Compact ⁴ The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises ⁵ The conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights are among the international references embedded in the normative analysis	

For further information on Candriam's Exclusion policy, please refer to:

Exclusion Policy | Candriam

2. Norms-Based Analysis

Candriam's norms-based analysis assesses whether a company complies with the 10 principles of the United Nations Global Compact for each of the main categories: **Human Rights (HR)**, **Labour Rights (L)**, **Environment (ENV)** and **Anti-Corruption (COR)**. Additionally, Candriam assesses whether the company violates the principles of the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

Furthermore, the conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights are among the international references embedded in the normative analysis and Candriam's ESG analysis framework.

As part of Candriam's *Level 1 Company-Wide Exclusion Policy*, we exclude a subset of the 'Candriam Red List', referred to as 'Candriam's Outlist'. This Outlist includes companies involved in severe to very severe controversies in terms of impact, duration, frequency and/or lack of response from the management of the company.

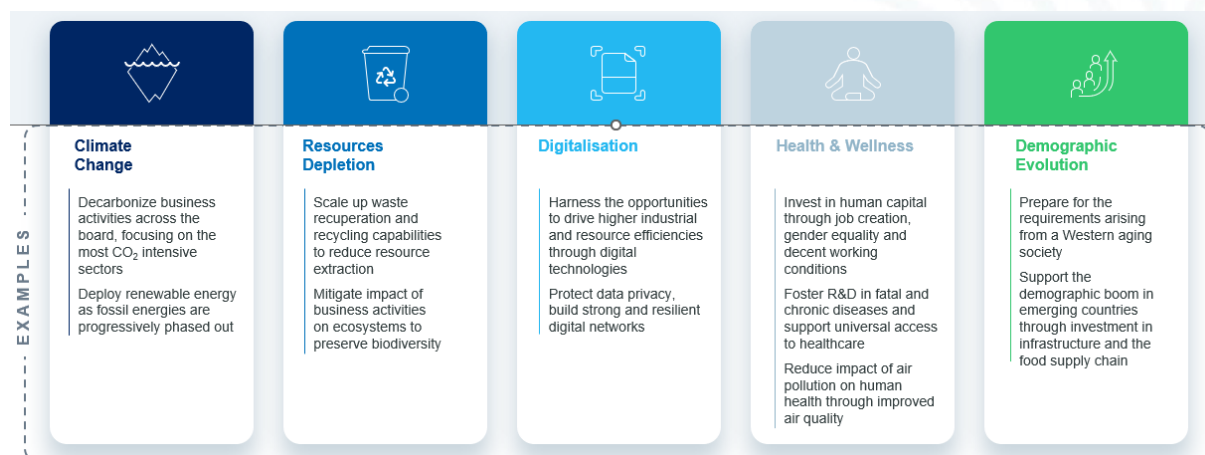
Emphasis is placed on a company's response when an incident occurs. A company that takes positive, responsible measures to ensure that future breaches do not occur is considered more favourably than a company that does not acknowledge its responsibility and/or does not take any corrective measures

Two positive screening dimensions:

3. Business Activities Analysis

Companies are exposed, through their business activities, 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. In reverse, companies' business activities contribute, positively or negatively, to sustainability objectives.

We have identified five key sustainability trends: Climate Change, Resources Depletion, Digitalisation, Health & Wellness, Demographic Evolution – which are analysed using Candriam's proprietary framework.



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 analyse each companies' business activities, taking into account the industry or sector in which each company operates, its geographic location, and business model. We determine the degree to which each business activity is exposed to and contributes 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 the five key sustainable challenges.

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 analysis, all the company's exposures to the major sustainable development challenges specific to the sector are evaluated and scored. 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.

4. Stakeholder Analysis

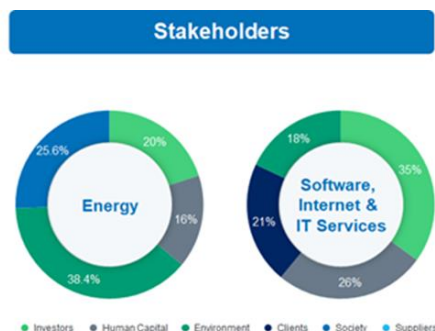
Relationships with stakeholders give rise to opportunities as well as risks and are therefore determinants of long-term value. How a company manages its stakeholders, i.e. takes into account their long-term interests in its strategy and operations, is essential in assessing whether a company conducts its activities in a sustainable and responsible fashion.

Stakeholder Analysis: looking at every dimension of how businesses are run



We have identified six categories of stakeholders: Investors, Environment, Employees, Customers, Society, Suppliers.

Our analysis integrates materiality assessments, meaning that we determine the relevance of each stakeholder based on qualitative and quantitative data. Based on the relevance, we determine weights for each category. For example, in the energy sector, we place a strong weight on the Environment. In the software sector, we place more emphasis on Investors.



For each theme addressed, the ESG analysis evaluates the strategies implemented by the company 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 give the overall Stakeholder score for each company. The company's score ranges from 0 to 100. This analysis (positive screening) is applied through two distinct but interconnected processes:

- **Overall ESG assessment:** Firstly, our analysis allows for an evaluation of the overall sustainability of issuers, which results in an **overall ESG Rating** for each issuer.
- **Specific E/S contribution assessment:** Secondly, Candriam uses specific elements of its ESG analytical framework in a dedicated process for assessing contributions to environmental and/or social objectives, which results in an **Environmental Contribution Score** and/or **Social Contribution Score** for each issuer.

And the overarching engagement dimension:

5. Engagement (overarching dimension)

In addition to the positive and negative selection described above, engagement 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. Engagement takes the form of a direct and individual dialogue between ESG analysts and the representatives of the company and other stakeholder.

ESG scoring & ESG eligible universe

Overall ESG assessment

The results of the various underlying analytical pillars of our proprietary ESG research framework are combined to arrive at an overall ESG rating for each issuer, from ESG 1 (best) to ESG 10 (worst).



A more fundamental analysis, called "ESG Conviction", may supplement our ESG analysis which uses a more materiality-based approach. This analytical framework focuses on the most relevant ESG risks and opportunities to which issuers are exposed in order to select those best positioned in terms of sustainability. Issuers are scored against material KPIs to determine the final ESG score and eligibility.

The “ESG Conviction” analysis is applied as a complement to our current process to enrich certain fundamental and active ESG investment strategies.

Specific E/S contribution assessment

Candriam has developed a process for assessing and scoring companies' contributions to environmental and social objectives, resulting in Environmental (E) and Social (S) Contribution Scores. This process integrates Business Activity Analysis and Stakeholder Analysis to evaluate sustainability and responsibility.

For environmental contributions, Candriam examines companies' roles in addressing Climate Change and Resource Depletion through their business activities and their management of environmental impacts on stakeholders.

For social contributions, Candriam assesses how companies address Key Sustainability Challenges like Health & Wellness and Digitalisation through their business activities and stakeholder management, particularly focusing on employees and suppliers.

The Environmental (E) and Social (S) Contribution Scores, ranging from 0 to 100, combines scores from business activity and stakeholder analysis.

These E and S Contribution Scores determine if companies qualify as 'Sustainable Investments' under the SFDR. Companies must meet a minimum score of 50 in either or both categories and comply with overall ESG Ratings, the DNSH principle, and good governance criteria. Depending on the sector, companies are evaluated for their environmental, social, or combined contributions to determine their eligibility for sustainable investment.

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.

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 it's located in a tax heaven 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.

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.

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 best-positioned companies ranging from ESG 1 to ESG 5, 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.

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 Business Activities 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.

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 criterion 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**

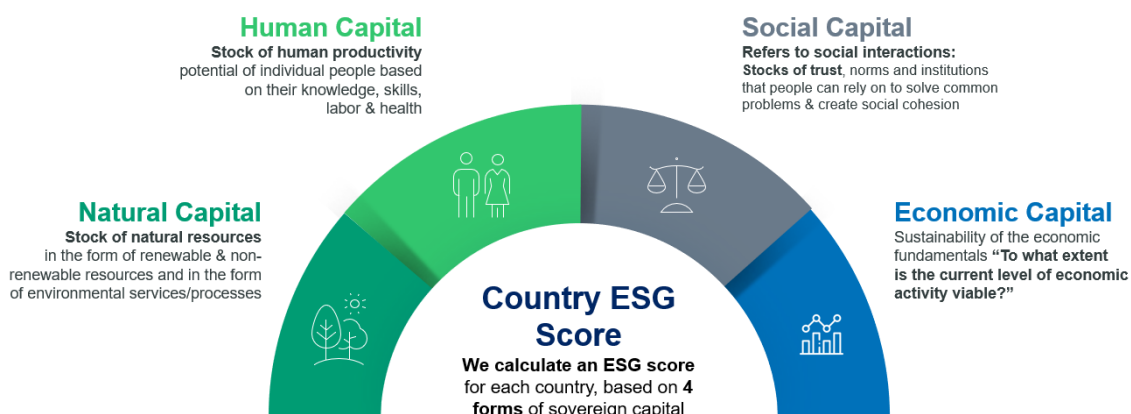
bond and project. If an issuer has weak practices in these areas, we conduct additional analysis to determine the final eligibility of the green bond.

Final Eligibility Decision

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

Analysis criteria for countries, i.e. public bond issuers such as public organisations and others.

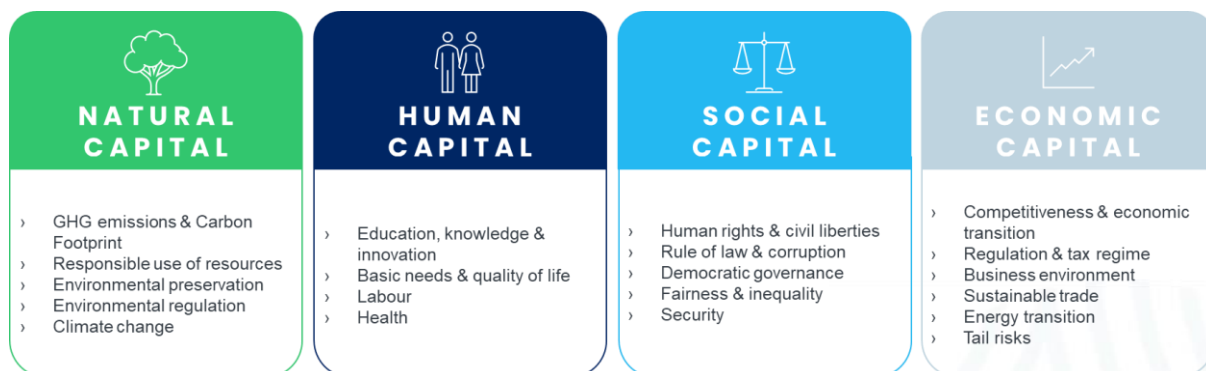
Our investible universe consists of those countries which perform best across our four categories of sustainable development criteria: **Human Capital**, **Natural Capital**, **Social Capital** and **Economic Capital**. Additionally, our sustainability framework emphasizes on the Natural Capital criteria 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 rule 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.

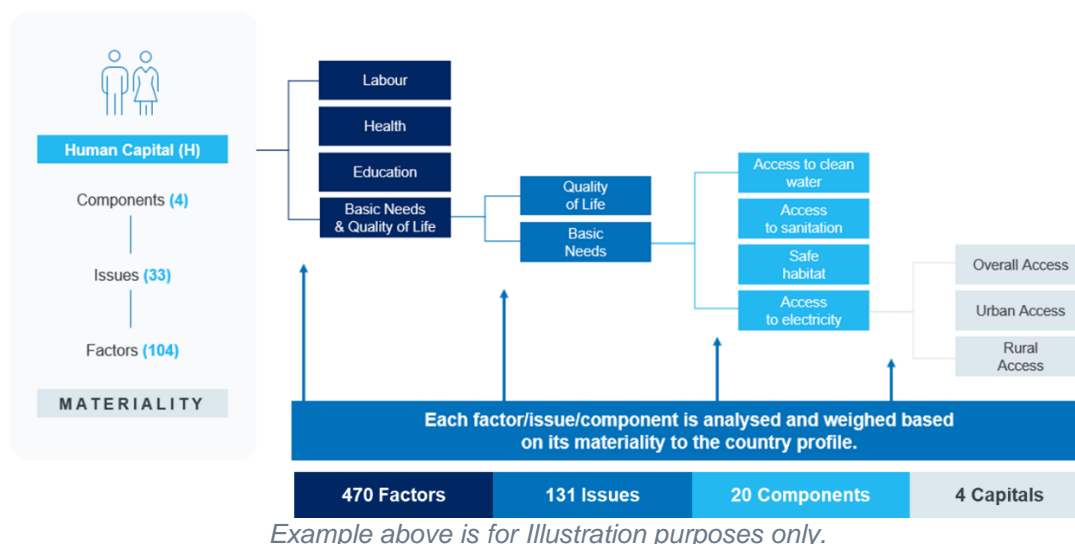
- **Economic Capital:** We complete our model with an assessment of a country's economic fundamentals, in order to measure each government's ability to finance and support sustainable policies over the long run. These indicators provide information to address the progress towards the UN Goals including 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:



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:



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.

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?

Our ESG universe is updated on a monthly basis taking into account the latest data from external providers.

Each sector and country are 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, rebellion, etc.), the ESG analyst will launch an alert on the issuer. 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 one-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.

[Sustainability Management Risk Policy | Candriam](#)

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.

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.

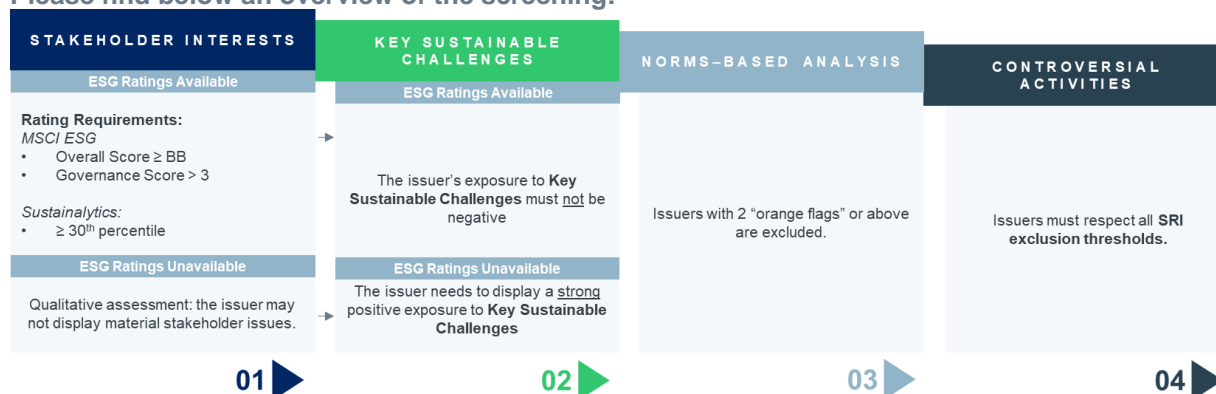
4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

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 issuer 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, which aims to reassess materiality weights and/or raw data coming from data providers, among others.

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?

Our ESG evaluation or investment process has not changed in the last 12 months.

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, 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.

Single underlying derivatives must be compliant with the company-wide exclusion policy.

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

The funds covered by this Code do not invest in mutual funds.

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?

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 strategies, classified as Article 8 according to the SFDR, comply with the company-wide exclusion policy.

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:

- 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:

ESG Score – Companies (0-100)

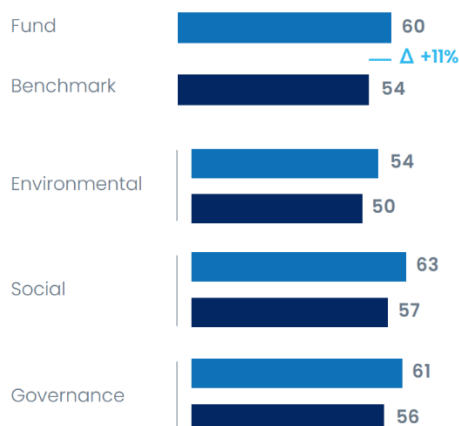


Image provided for illustrative purposes only.

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

The following metrics are generally¹ disclosed at the fund level:

- ESG Scoring & Distribution
- ESG Impact Indicators, such as (but not limited to):
 - o Carbon footprint
 - o Carbon intensity
 - o Weighted Average Carbon Intensity
 - o Renewable energy production
 - o Water consumption
 - o Water intensity
 - o Weighted Average Water Intensity (WAWI)
 - o Board gender diversity
 - o Board independence
 - o Collective bargaining agreements
 - o Exposure to carbon-related assets in the power generation sector

For more information on our Index strategies and the official ESG KPI's for each fund, please visit our website to access the relevant prospectuses:

[Funds | Candriam](#)

¹ The ESG indicators disclosed can vary based on the fund

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

Publications regarding the product capabilities such as prospectus, factsheets, and details of the holdings are available on our corporate website, in dedicated product sheets, in the “Search for a Fund” section:

Candriam’s funds are described on the corporate website via the fund search engine:

[Funds | Candriam](#)

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

[Annual Engagement & Voting Report | Candriam](#)

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

[CSR Report | Candriam](#)

For any request on research available to investors/savers or the breakdown of the securities in the portfolios, please use [Contact | Candriam](#).

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.



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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