

Human Rights Policy



JUNE 2023

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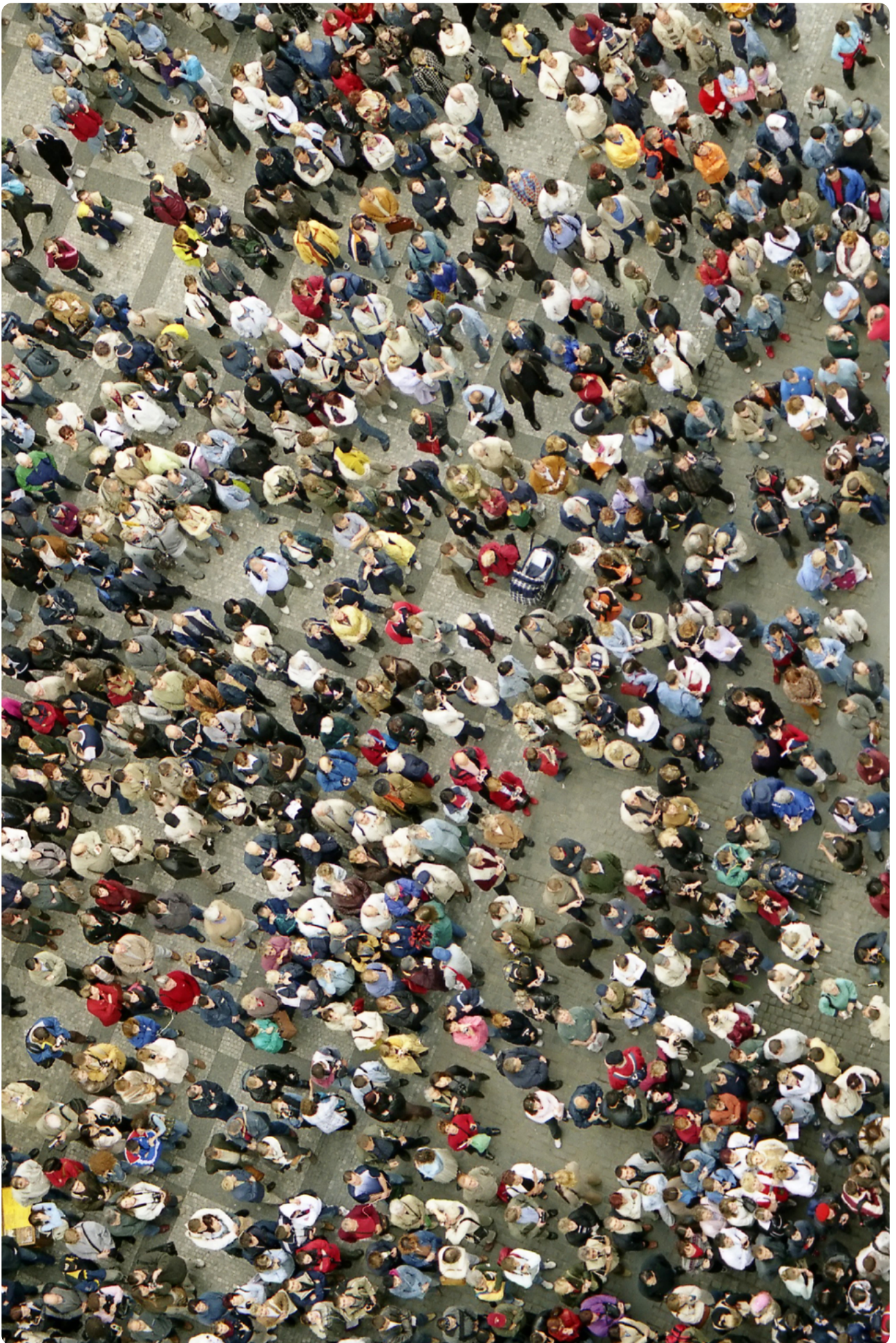
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1. Introduction.

Candriam, a global multi-specialist asset manager, is a pioneer and recognized leader in sustainable investments.

We have been offering sustainable and responsible investment strategies since 1996, and are proud to be a founding signatory of the UN PRI. Candriam's values are embedded in our name - Conviction AND Responsibility In Asset Management - and these guide our corporate strategy and behaviour.

We believe that respecting and upholding Human Rights is part of our corporate responsibility at Candriam, as an employer, in our operations, and as an asset manager to whom investors entrust their portfolios. We are convinced that social issues are as important to address as environmental issues.

Candriam supports the principles enshrined in key international conventions and standards, such as the

United Nations Universal Declaration of Human Rights (1948), the International Bill of Rights¹ (1966), the core standards of the International Labour Organization (1998, amended 2022), the UN Global Compact (2000), the UN Guiding Principles on Business & Human Rights (2011) and the OECD Guidelines for Multinational Enterprises (2011).

These principles guide our Human Rights Policy, which applies to all Candriam staff and stakeholders, across the company's operations and investment activities. It applies to any Candriam branch or subsidiary, whenever applicable, and its respective employees.

Links to related statements and policies are provided at the end of the text.

2. Human Rights Governance.

Candriam's Group Strategic Committee oversees all strategic aspects, including sustainability. It oversees Candriam's due diligence approach for Climate and Human Rights risks, including the elaboration and review of appropriate Policies. The Candriam Board of Management and Board of Directors validate the relevant critical policies.

For Candriam's Investment activities, the Sustainability Risk Committee oversees and steers the management of extra-financial risks and validates the Human Rights methodology applied to investments.

Related to Candriam's operations (Human Resources and Suppliers), the CSR Ethics Committee defines, monitors and assesses Human Rights risks and diligence.

Candriam has put in place a Whistleblowing system which offers (internal and external) whistleblowers a way to inform Candriam of any breaches, abuses or failings liable to cause significant harm, so that Candriam may prevent them in time and correct them. Whistleblowers can either meet in person with an Authorised person from Candriam's Compliance Department or make a declaration through the dedicated Whistleblowing Reporting Platform (available both via Candriam's Website and Intranet).

¹ The International Bill of Rights includes : the UN Universal Declaration of Human Rights 1948; the International Covenant on Economic Social and Cultural Rights (1966), and the International Covenant on Civil and Political Rights (1966)

3. Protecting Human Rights as a Company.

As a responsible company, Candriam promotes respect for human rights in our value chain and sets clear expectations towards our Conducting officers, our Managers and all other Staff across business units as well as towards our Suppliers and Contingent workers.

3.1. Staff and Candidates

Candriam believes that our organization is strengthened by our model, which supports a diverse and inclusive workforce and where staff are given equal opportunities for development.

Candriam has an overarching **Human Resources Policy** in place, which guides Candriam's interactions with staff and candidates. Its fundamental principles are to combat the various forms of discrimination, harassment, and violence; guarantee the health and safety of employees; ensure good working conditions; encourage social dialogue (most staff are covered by collective labour agreements on Candriam or industry level); ensure equal opportunities and equal treatment between employees and candidates and to promote diversity and inclusion. The policy also supports the abolition of all forms of modern slavery, human trafficking and child labour.

Dedicated policies (such as a remuneration policy, a recruitment policy, a D&I charter, a non-discrimination and anti-harassment policy, a work from home policy) and detailed procedures complement the overarching Human Resources Policy so as to ensure effective implementation.

Actions to ensure we can live up to the standards we set ourselves include examples such as: the deployment of a guide to responsible recruitment, the

strengthening of our Know Your Employee-procedure, a yearly quality of life at work and staff engagement survey, the introduction of a satisfaction questionnaire for applicants and the creation of a Candriam D&I committee. In 2022 for example, the D&I committee conducted a survey to obtain the EDGE certification², which is the leading global assessment methodology and business certification standard for gender equality.

Our objective is to foster and maintain a culture of sustainability and respect, shared at all company levels. We want to ensure a proper understanding of these important matters by all Staff, across Investments, Client facing, Operations and Support functions. We have an on-boarding and off-boarding process, which ensures two-way information sharing.

All Staff must sign and abide by the Candriam Employees Code of Conduct.

All Staff must periodically complete a mandatory Training on anti-discrimination and anti-harassment. The adherence to Candriam's values is part of the annual assessment process for all our staff.

3.2. Suppliers and Contingent Workers

Candriam builds long-standing relationships with key suppliers and ensures that expectations of business behaviour are clear and consistent.

Candriam has developed a **Sustainable Procurement policy** that will be reviewed and enriched on an annual basis. Alongside the key principles of Business integrity and anti-corruption, the Human Rights approach for Suppliers is built around the same fundamental principles which guide Candriam's own Human Resources policy.

² <https://www.edgeempower.com/>

A **due diligence** process, with attention to human rights, is conducted prior to onboarding new suppliers and is periodically reviewed during the supplier relationship management process.

A **vendor CSR questionnaire and scoring method** (covering human rights and environmental topics) is used to assess new vendors (during RFP process or for new contracts) and to re-assess existing vendors during the periodic vendor management review process.

Suppliers are requested to subscribe to and adhere to, Candriam's **Supplier Code of Conduct** that will be published on the Candriam website.

Candriam's **Working Guidelines for Contingent Workers** must be signed by suppliers' employees when onboarded to execute a mission for Candriam. Thereby all contingent workers commit to respect Candriam's own Code of Conduct, Legal and Compliance obliga-

tions (including but not limited to the respect of human rights, labor conditions, environmental respect, integrity, ethics and anticorruption.)

Candriam has a **monitoring and engagement** process in place for our Suppliers:

- We are gradually developing an alert system, designed to provide an indication of increased human rights risks for certain supplier categories, allowing us to better target our monitoring.
- When engaging with suppliers, Candriam either requests clarifications, action plans or escalates to upper decision-making committees.

The procurement department receives regular **Training** on Human Rights issues.



4. Protecting and advancing Human Rights as an Investor.

4.1. Our vision and objectives

The protection and advancement of Human Rights for all, and in all regions of the world, is essential to ensuring a sustainable collective future. As an investor we can be linked³ to Human Rights outcomes through the activities, products, or services of investee companies and through the practices of investee countries. Such Human Rights issues are characterised by double materiality: Investments can have negative impacts on Human Rights outcomes. In turn, exposure to Human Rights risks can negatively affect the financial value of portfolios and lead to reputational damage for investors.

Thus, it is our responsibility to identify and minimize the potential negative Human Rights outcomes of investments, to understand the potential Human Rights risks issuers are exposed to, and to manage them accordingly. It is also our objective to spot investment opportunities that embody good practices or make positive contributions to Human Rights matters. Moreover, we seek to use our position as an investor to positively influence Human Rights issues through the exercise of voting rights and dialogue with issuers.

To achieve these objectives, we have deeply embedded Human Rights at all stages of our sustainable investment process.

4.2. Pre-investment decision: Proprietary ESG analytical frameworks

The analysis of Human Rights has long been an integral part of our proprietary ESG analytical frameworks. We develop granular evaluations of the Human Rights issues and potential risks at the company, sector and country levels and build an understanding of how investment portfolios are linked to them. Moreover, our assessments of the overall sustainability of corporate and sovereign issuers take into consideration Human Rights matters.

4.2.1. Corporate ESG analytical framework

Candriam's corporate ESG framework is structured around two screening pillars and two fundamental analysis pillars, in line with the principle of double materiality and with developing a comprehensive view of the Human Rights performance of companies. While Human Rights are an essential part of the analysis of all companies, they will be even more heavily weighted in the case of issuers, activities and sectors with intrinsically high Human Rights stakes. This materiality assessment is conducted systematically as part of the annual update of ESG sector models by ESG Analysts; ESG Analysts update the proprietary ESG models for their

³ As an investor, Candriam primarily invests in publicly listed instruments and does not take controlling or high ownership stakes through which it could cause or contribute to negative human rights outcomes. Please note that for Candriam's investments in third-party funds investing in private equity, the Human Rights policies that are specific to those funds apply, in addition to the fund-of-fund due diligence process. The way in which Candriam addresses the human rights outcomes it may cause through its own business activities are described in the earlier sections of this document.

respective sectors and attribute relative weightings to ESG issues, including those pertaining to Human Rights. Sector models are updated more frequently in case of structural changes or events warranting a refresh.

• **Screening pillars:**

o Norms-based assessment: Candriam systematically evaluates compliance of corporates with international norms and standards, including those pertaining to Human Rights, and monitors and evaluates any incidents. This notably includes the principles of the United Nations Global Compact pertaining to Human Rights, as well as the Universal Declaration of Human Rights. ESG Analysts continuously monitor issuers to identify any controversies with regards to these norms. When a controversy is identified, Analysts assess its magnitude and severity, as well as the issuer's reactivity and the credibility of its response. Based on this analysis, controversies are classified according to a traffic-light system.

o Controversial activities analysis: ESG Analysts assess companies' business activities to identify those issuers that are active in oppressive regimes. Our Oppressive Regimes List is comprised of countries in which Human Rights are severely breached on a regular basis, fundamental liberties are systematically denied, and the security of people is not guaranteed due to government failure. We also look extremely carefully at totalitarian states or those countries in which the government is involved in war against its own people. Further, we systematically evaluate companies' exposure to controversial activities that can have particular implications in terms of Human Rights violations. For example, activities such as controversial and conventional armaments, nuclear weapons, and adult content can have particularly material implications in terms of Human Rights matters.

The results of these screening pillars are implemented in our strategies via Candriam's exclusion policy⁴, which specifies several levels of exclusions depending on portfolios.

• **Fundamental analysis pillars:**

o Stakeholder management analysis: Our ESG Analysts evaluate issuers' ability to sustainably incorporate stakeholder interests into their long-term strategy, and their potential positive or negative impact on these stakeholders. These stakeholders include employees, suppliers, customers, investors, the environment, and society. As part of the proprietary models developed for each sector, ESG Analysts systematically assess the materiality of each stakeholder for each sector and quantify each stakeholder's relative materiality. Stakeholders such as employees, suppliers, customers and society are of particular importance for Human Rights evaluations and will therefore be assigned relatively significant weights in sectors subject to high Human Rights risks and impacts. For example, in evaluating relationships with suppliers, ESG Analysts consider whether a company proactively seeks to prevent potential human rights abuses in its supply chain. This analysis is adapted to the specificities of each company. In the case of a raw materials producer, Analysts will pay particular attention to impact on the rights of local communities and whether Human Rights impact assessments are carried out.

o Business activity analysis: Candriam assesses the extent to which a company's business activities, products and services are exposed to and contribute, positively or negatively, to key sustainability challenges (KSCs). These KSCs are Health & Wellness, Digitalisation, Demographic Change, Climate Change and Resource Depletion. While Human Rights issues are linked to all KSCs, those particularly important in our

⁴ https://www.candriam.com/en-lu/professional/SysSiteAssets/medias/insights/sfdr-publications/candriam_exclusion_policy_en.pdf

Human Rights assessments are Health & Wellness, Digitalisation and Demographic Change. For instance, digitalisation is linked to Human Rights matters such as privacy and freedom of speech. Similarly, the way companies contribute to the trend of Health & Wellness can have implications for the human right to health and well-being including food and medical care. The way in which these KSCs are analysed is a function of the models developed systematically by our ESG Analysts, which are materiality-based, meaning that key sustainability challenges will be weighted according to their relevance for specific sectors. This puts those challenges that are most critical for each issuer's sustainability, including their respect of Human Rights, in the central focus in this analysis.

Together, these fundamental analysis pillars allow us to evaluate the extent of a company's exposure to Human Rights risks and its capability in preventing, addressing, mitigating and remedying the Human Rights outcomes arising from its business operations. These analytical outputs are integrated into our strategies through rules and guidelines defined for different types of funds and mandates.

4.2.2. Sovereign ESG analytical framework

Candriam's sovereign ESG framework is composed of a screening process and a fundamental analysis.

- **Screening:** In accordance with Candriam's Exclusion Policy, we do not invest in the debt of sovereign or quasi-sovereign entities that are on Candriam's Oppressive Regimes List, which represent severe Human Rights violators. Further, we implement exclusions pertaining to the Financial Action Task Force Call for Action List and Freedom House's Freedom in the World Index. We may also apply discretionary exclusions proposed by the ESG Team and validated by Candriam's Sustainability Risk Committee. These discretionary decisions take into account

participation in international conventions (e.g. Second Optional Protocol to the International Covenant on Civil and Political Rights). ESG Analysts continuously monitor countries' compliance with this set of democracy and freedom filters.

- **Fundamental analysis:** This analysis delves into the four forms of sovereign capital and their sustainable development: Natural Capital, Human Capital, Social Capital, and Economic Capital. The analysis produces a score for each capital and an overall country score. These scores are integrated into our investment strategies through guidelines and rules defined for different types of funds and mandates. While Human Rights risks and outcomes are in many ways linked to the development of all four forms of sovereign capital, Human and Social Capital are of particular importance in the assessment of countries' Human Rights risks and impacts. For example, our Human Capital analysis covers issues such as health, slave labour and discriminatory labour practices. Social Capital also includes a variety of matters intimately connected to Human Rights, including freedom of expression and belief, as well as civil liberties and minority rights.

4.3. Post-investment decision: Monitoring at several levels

Our consideration of Human Rights issues does not stop once an investment decision has been made. Instead:

- Candriam's ESG Investment Policy defines ESG rules that Portfolio Managers must follow, in line with the ESG characteristics of the products they manage. The policy is monitored by Risk Management via a constraints server.
- The implementation of the ESG assessment results into portfolios, including the assessment of Human Rights outcomes and risks, is closely monitored.

ESG indicators and associated limits, including PAIs (Principal Adverse Impacts), are defined by the Risk Management department, validated by the Sustainability Risk Committee, monitored by Market Risk Management, and integrated into risk reports.

- Once invested, issuers continue to be monitored on an ongoing basis using our proprietary ESG analytical frameworks. Changes with regards to Human Rights issues are evaluated to determine appropriate actions to be taken.
- Candriam also monitors ESG performance at portfolio level. Depending on the portfolio, this can for example include tracking the performance of the portfolio in ESG matters in comparison to its benchmark, reporting on specific ESG key performance indicators, or measuring the contribution to the United Nations Sustainable Development Goals.

4.4. Engagement and Voting (stewardship of investees)

Human Rights are an important consideration in our exercise of voting rights and in the direct and collaborative dialogues we conduct with issuers. The insights we gather through these engagement activities on the Human Rights practices of issuers also feed our investment decision-making process.

Voting activity

Candriam makes every effort to ensure that the exercise of voting rights is aligned with the protection of Human Rights. We have had our own Voting Policy since 2005; which includes the Human Rights performance of companies when analysing ballots and determining votes. Our Voting Analysts consider the following:

- o Social performance scores
- o Past and present controversies

Every year, Candriam defines a list of companies likely to be subject to “highly sensitive” votes, which may lead to sanctioning votes. Human Rights constitute one of the key factors in this list. Companies with poor scores on Human Rights benchmarks and/or involved in specific controversies are included in our watchlist and we exercise voting rights, among other avenues, to signal our position and concerns. Any companies involved in Human Rights issues, such as forced labour, are systematically added to the watchlist.

Engagement activity

Through our engagement with investee companies and countries, Candriam seeks to promote the protection of Human Rights. This field of engagement has become more prominent over the past five years. Areas in which Human Rights risks are most salient include, but are not limited to, supply chain management, forced labour, and digital rights.

For corporate issuers, as an example, Candriam clearly expresses through our engagements that issuers should demonstrate, amongst other elements:

- o The existence of a strong Human Rights policy
- o Strong Human Rights governance
- o Regular Human Rights impact assessments
- o Human Rights due diligence procedures covering operations and supply chains
- o Human Rights risk remediation procedures
- o A whistleblowing program
- o Regular Human Rights performance reporting

4.5. Principal Adverse Impacts and Human Rights

In accordance with the Sustainable Finance Disclosure Regulation (SFDR), Candriam integrates Principal Adverse Impacts (PAIs) into its sustainable investment process and tracks and reports on PAIs, including those that can be linked to Human Rights issues (i.e. PAIs 9, 10, 11, 12, and 16⁵). Through this integration of PAIs, Candriam also implements the Do No Significant Harm (DNSH) principle as defined by SFDR.

PAIs are integrated into investment decisions via Candriam's ESG analytical framework and our exclusion policy. Moreover, Candriam's engagement activities contribute to avoiding or reducing adverse impacts.

4.6. Action plan and next steps

Remaining at the forefront of embedding Human Rights considerations into our investment decisions means *anticipating* issues whose impacts on Human Rights will be particularly critical going forward. For example, the areas of child protection and labour rights are likely to become more prominent and should benefit from concerted efforts. Candriam seeks to play a role here, notably through our engagement activities and a thematic strategy focused on companies that contribute to the well-being of children.

Data accessibility, quality and materiality are key challenges in integrating Human Rights into sustainability assessments. Here, over the next few years, we will focus on developing innovative and meaningful approaches to leverage the Corporate Sustainability Reporting Directive, in which Human Rights are an essential pillar, and the Corporate Sustainability Due Diligence Directive.

Monitoring Human Rights on a country level presents complexities, as the jurisdictions with most severe violations also lack freedom of speech. Thus, Candriam participates in various initiatives aimed at more accurate measurement of sovereign Human Rights performance and will continue to promote strategies and thought leadership focused on incorporating Human Rights into investment decision-making.

⁵ Mandatory PAI10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises, 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises, 12. Unadjusted gender pay gap, 16. Investee countries subject to social violations, Additional PAI 9. Lack of human rights policy

5. Useful links to Candriam policies.

As an Investor:

- [Candriam Exclusion Policy](#)
- [Candriam Sustainability Risk Management Policy](#)
- [Candriam Engagement Policy](#)
- [Candriam Proxy Voting](#)

As a Company:

- [Candriam Diversity & Inclusion Charter](#)
- [Candriam Non-Discrimination and Anti-Harassment Policy](#)
- [Candriam Whistleblowing procedure](#)





€139B

AUM at end
December 2022*



600

experienced and
committed professionals



+25 years

Leading the way in
sustainable investing

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*As of 31/12/2022, Candriam changed the Assets Under Management (AUM) calculation methodology, and AUM now includes certain assets, such as non-discretionary AUM, external fund selection, overlay services, including ESG screening services, [advisory consulting] services, white labelling services, and model portfolio delivery services that do not qualify as Regulatory Assets Under Management, as defined in the SEC's Form ADV. AUM is reported in USD. AUM not denominated in USD is converted at the spot rate as of 31/12/2022.



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