

CANDRIAM ARTICLE 8 EQUITIES, BONDS & MULTI-ASSETS STRATEGIES



Statement of Engagement

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

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

Please note that we have also drafted Transparency codes for:

- Article 9 sustainable strategies;
- Strategies which invest in sustainable & responsible companies in emerging markets;
- Thematic strategies, which specifically invest in companies that positively contribute to environmental and/or social challenges;
- European strategies, which invest in innovative & responsible companies in Europe;
- 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 responses to the European SRI Transparency Codes for all the above-mentioned funds are available on our corporate website and our dedicated SRI website: <https://www.candriam.com/en/professional/market-insights/sri-publications/>.

Compliance with the Transparency Code

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

March, 2021

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1. Fund Covered by the Code

Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	Asset Class	Exclusions standards and norms	Labels
<input type="checkbox"/> Best in class Investment Section <input type="checkbox"/> Engagement & Voting <input checked="" type="checkbox"/> ESG Integration <input checked="" type="checkbox"/> Exclusion <input type="checkbox"/> Impact investing <input type="checkbox"/> Norms-based Screening <input type="checkbox"/> Sustainability Themed	Passively managed <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing –ESG/SRI benchmark: specify the index tracking Actively managed <input checked="" type="checkbox"/> Shares in a euro area country <input checked="" type="checkbox"/> Shares in an EU country <input checked="" type="checkbox"/> International Shares <input checked="" type="checkbox"/> Bonds and other debt securities denominated in euro <input checked="" type="checkbox"/> International bonds and other debt securities <input checked="" type="checkbox"/> Monetary assets <input checked="" 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"/> Genetic engineering <input checked="" type="checkbox"/> Global Compact <input type="checkbox"/> OECD Guidelines for MNCs <input 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)

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

- **Belgium:**

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

- **Austria:**

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

- **France:**

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

- **Germany**

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

- **Ireland**

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

- **Italy**

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

- **Luxembourg**

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

- **Netherlands**

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

- **Switzerland**

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

- **United Kingdom**

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

2. General information about the fund management company

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

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

Candriam Belgium
Avenue des Arts, 58
1000 Brussels – Belgium

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

Please consult our website for further information: www.candriam.com. This code applies to strategies classified as Article 8 according to the “Sustainable Finance Disclosure Regulation” (SFDR) and managed by Candriam.

Any question regarding strategies classified as Article 8 and managed by Candriam can be e-mailed to the following address: investor.support@candriam.com.

Our assets under management dedicated to ESG-related products have reached €88 billion which represent 63% of our total AUM, as of December 2020.

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

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

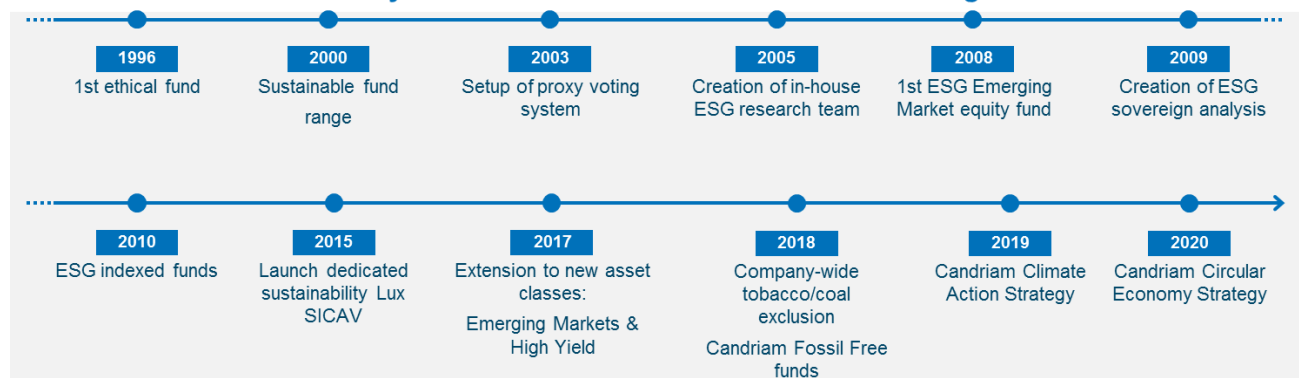
Candriam has been managing Sustainable Investments since 1996. As a responsible asset manager for over two decades, we are committed to the continuous development of our long-standing and holistic Environmental, Social, and Governance analysis approaches, and to the on-going expansion of our ESG integration process towards our large range of investment products.

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.



Founding signatory since 2006

25 years track-record in Sustainable Investing



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have actively incorporated ESG analysis in our investing since 1996.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Operational risk**: risk of losses stemming from a failure or inadequacy in an institution's procedures,

staff, internal systems or due to external events.

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

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

Physical risks

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

Transition risks

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

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

Type of Risks

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

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

At Candriam, the inclusion of ESG criteria is the first step in the ESG investment process. The integration of ESG factors within investment processes ensures that short-, medium- and long-term ESG and financial risks and opportunities are taken into account and thus adds value to investment decisions.

Furthermore, as described in section 2.3, Candriam has implemented a firm-wide ESG governance structure to ensure proper oversight and information flow of ESG issues. Climate Risks are analysed by the Sustainability Risk Committee which assesses corporate reputational & financial risks. This committee reports directly into Candriam's Group Strategic Committee.

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

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

The ESG analysts provide an in-depth analysis, based on ESG information, to portfolio managers in order to better assess the risks and opportunities that stem from the business activities and operations of companies. The ESG analysts regularly take part in Portfolio Management Committees and on an ad hoc, monthly or quarterly, basis discussing ongoing projects and exchange ideas on ESG themes.

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

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

2.7. Is the company involved in any RI initiatives?

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

As a responsible asset manager, the United Nations Principles for Responsible Investment are an important initiative to support.









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

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

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

■ Candriam's sustainable commitments

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











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

■ Collaborative Initiatives

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

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

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

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

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

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

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

Our assets under management dedicated to ESG-related products have reached €88 billion which represent 63% of our total AUM, as of December 2020.

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

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

- **Belgium:**

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

- **Austria:**

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

- **France:**

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

- **Germany**

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

- **Ireland**

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

- **Italy**

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

- **Luxembourg**

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

- **Netherlands**

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

- **Switzerland**

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

- **United Kingdom**

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

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

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

Candriam considers that a company's long-term value is not solely influenced by financial criteria such as income or growth in the operating margin. By incorporating environmental, social and governance (ESG) criteria, we identify other factors liable to influence a company's value and competitiveness over the medium and long term, which are not always immediately obvious in traditional financial analyses.

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 make up the investment universe of the fund(s)?

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

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

Rating Agencies	Certification	Scope	Types of Screening	Link
Equileap	-	International Companies	Gender equality criteria	https://equileap.org/
Bloomberg	Gender-Equality Index	International Companies	International standardized reporting and disclosure method for workplace gender data.	www.bloomberg.com/GEI
MSCI ESG Research	-	International Companies	ESG Criteria – Controversial Activities – Norms-based Criteria	https://www.msci.com/esg-integration

ISS-Ethix	-	Emerging Markets Companies	Norms-based Criteria	https://www.issgovernance.com/ -
		International Companies	Screening criteria used to exclude the weapon industry	
S&P Trucost	-	International Companies	Environmental Data Greenhouse gas emissions, energy mix, percentage of exposure to fossil fuels	https://www.trucost.com/
Sustainalytics	-	International Companies	ESG Criteria – Controversial Activities – Norms-based Criteria	https://www.sustainalytics.com/
Wood Mackenzie	-	International Companies	Energy and mining sectors screening used to exclude unconventional extractions and thermal coal	https://www.woodmac.com/
ISS-Oekom	-	International Companies	Sustainable Development Goals measurements	https://www.issgovernance.com/esg/
MapleCroft	-	Sovereign Issuers	Country risk metrics and analysis	https://www.maplecroft.com/
RepRisk	-	Sovereign Issuers	ESG Country risk metrics and analysis	https://www.reprisk.com/
EIU	-	Sovereign Issuers	Country risk metrics and analysis Country energy data	https://www.eiu.com/n/
PRS Group	-	Sovereign Issuers	Quantitative data, political risk and country risk ratings	https://www.prsgroup.com/
Beyond Ratings	-	Sovereign Issuers	ESG performance of economies - Sovereign Credit risk – Climate Objectives Alignment	https://www.beyond-ratings.com/
Carbon4 Finance	-	International Companies	Environmental Data based on energy transition & adaptation to climate change	http://www.carbon4finance.com/

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

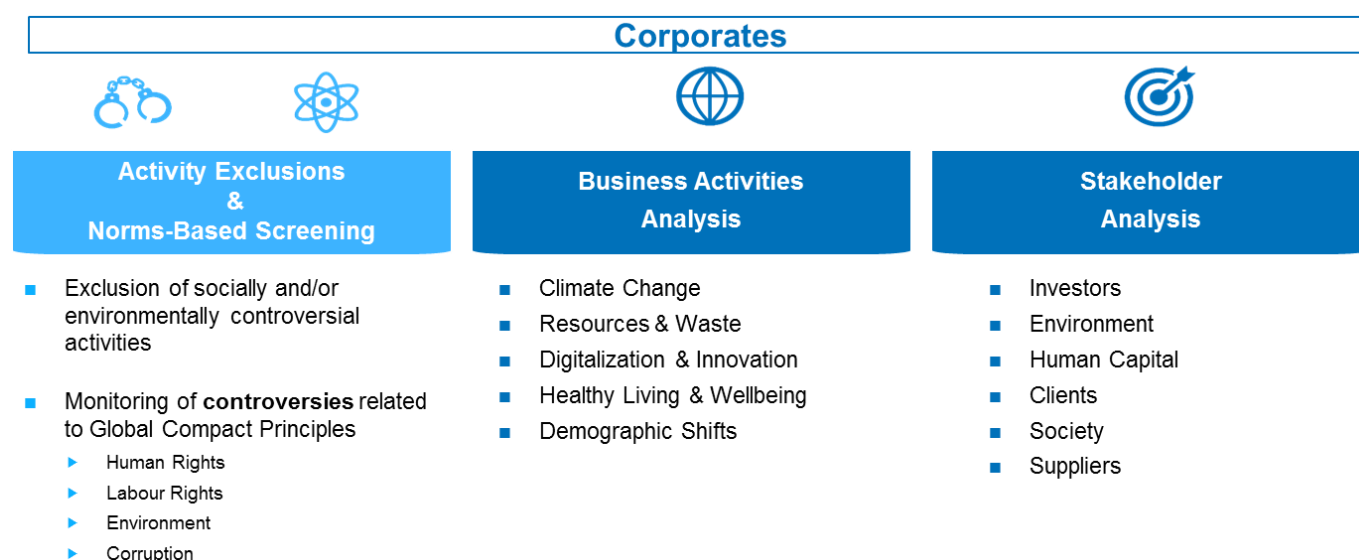
- **Freedom House:** measure of freedom and democracy, understood via electoral process, political pluralism, functioning government, rule of law etc. (<https://freedomhouse.org/>)
- **Fraser Institute:** measure of human freedom, understood as the absence of coercive constraint (<https://www.fraserinstitute.org/>)
- **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

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.

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

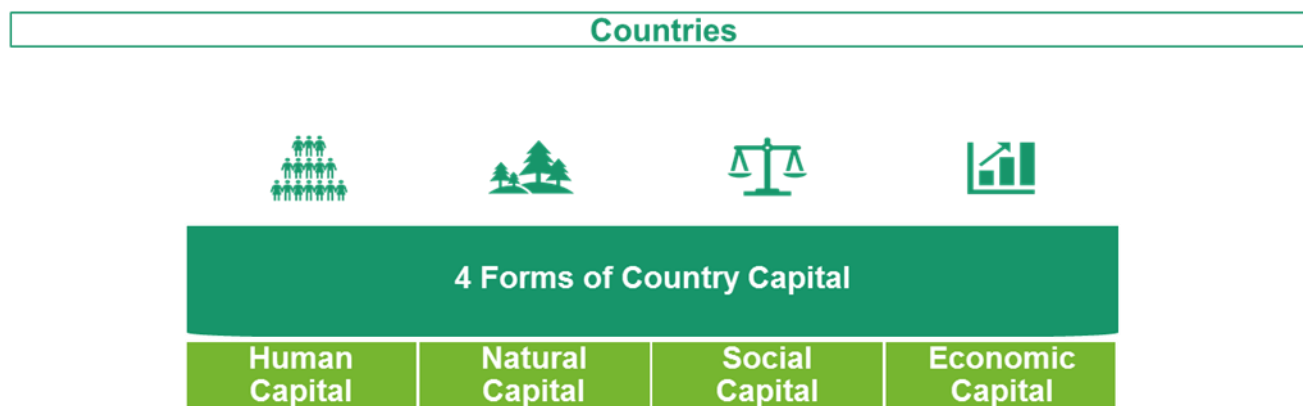
We believe that all companies we invest in must display strong ESG practices. We exclude all companies that do not respect our company-wide exclusion policy and companies that have breached the principles of the United Nations Global Compact. This exclusion filter is coupled with an ESG assessment of 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. For further information, please refer to question 4.1



For sovereign issuers, portfolio managers monitor and take into account the overall sustainability score of a country. The latter recognize how countries perform best across our four categories 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. 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.



In addition, any country classified as Not Free by Freedom House is taken into account. Doing so, we aspire to set minimum standards of democracy, as well as avoiding countries that are involved in financing terrorism and money laundering.

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

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

- **Corporate Issuers**

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

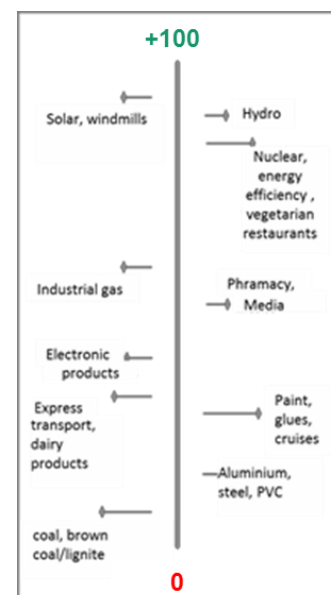
The **Stakeholder Analysis** evaluates a company's ability to incorporate stakeholder interests in its long-term strategy, insofar as they are a source of risks and opportunities for the company. These six categories of stakeholders include Investors, Employees, Customers, Suppliers, Society, and the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

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

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

Business Activities: Climate Change Challenge

Climate change is considered to be a major and substantial challenge in sustainable development. Accordingly, it is assessed in all sector models and is a major source of risk (thus attributed a lower score) for high-impact sectors such as energy, transport and materials. In the course of this assessment, the impact of various activities is estimated and factors in greenhouse gas emissions from the source to final consumption (i.e. Scopes 1, 2 and 3). Based on this estimate, the impacts for each activity are ranked,



as described opposite, on a scale from 0 to 100. The measurement of the impact itself is based on the company's exposure, according to revenue earned by the activity, except for the energy and utilities sectors, where it is based on fossil fuel reserves and installed capacity, respectively.

Stakeholder Analysis: Management of Environmental Relations

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

Examples in the Energy sector:

- **Strategies implemented**

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

- **Performances**

- Energy mix and CO2 emissions;
- Oil leakage rate < sector average;
- Gas flaring rate < sector average;
- High % of Occupational Health and Safety Assessment (OHSAS) 45001-certified sites
(for more information : <https://www.iso.org/standard/63787.html>)

Furthermore, we exclude 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. Moreover, Candriam has defined a list of companies presenting very severe violations of the 10 UN Global Compact Principles and excluded from all article 8 strategies. This list is reviewed on a regular basis by the ESG team with final decision under the responsibility of the Sustainability Risk Committee.

Finally, we aspire to have a lower portfolios' carbon emission, based on corporate only, in comparison to its relative benchmark or below an absolute threshold, depending on the investment strategy.

- **Sovereign Issuers**

Environmental considerations, including climate change, are naturally embedded in the framework through the Natural Capital.

Our framework puts climate change and environmental preservation at the forefront, as Natural Capital is not freely interchangeable with the human, social and economic capitals. Our Natural Capital pillar assesses how a country is conserving and sustainably employing its natural resources, managing its interaction with global environmental issues and challenges such as Climate change, its consumption of fossil fuels, its biodiversity stewardship and its handling of waste materials.

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.)?

Candriam's company-wide controversial activities policy integrates ESG factors including exclusions on controversial weapons, thermal coal, tobacco and for normative reasons. We incorporate the results of the ESG Business Activities and Stakeholder analysis in the financial fundamental analysis.

The ESG Analysis is based on the following pillars:

1. **Company-wide exclusion**
2. **Norms Based Analysis**
3. **Business Activities Analysis**
4. **Stakeholders Analysis**
5. **ESG score**

1. Company-wide exclusion

A company's exposure to one of the three controversial activity from the company-wide exclusion list is evaluated. Any companies exposed to Controversial Weapons (any involvement), Thermal Coal (10% revenue max) and/or Tobacco (5% revenue max) are permanently excluded, depending to their specific threshold.

For more information, please refer to [these specific activities](#) in Candriam's Controversial Activities policy, under the Company-Wide Policy, which can be viewed on our website:

<https://www.candriam.com/492ee7/siteassets/medias/publications/brochure/corporate-brochures-and-reports/controversial-activity/controversial-activity-policy-en.pdf?epieditmode=False>

2. Norms-Based Analysis

Candriam has defined a list of companies **presenting the most severe** violations of the 10 UN Global Compact Principles and excluded from all article 8 strategies. The final decision is **under the responsibility of the Sustainability Risk Committee which assesses and monitors sustainability risks for Candriam's investment activities**.

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

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

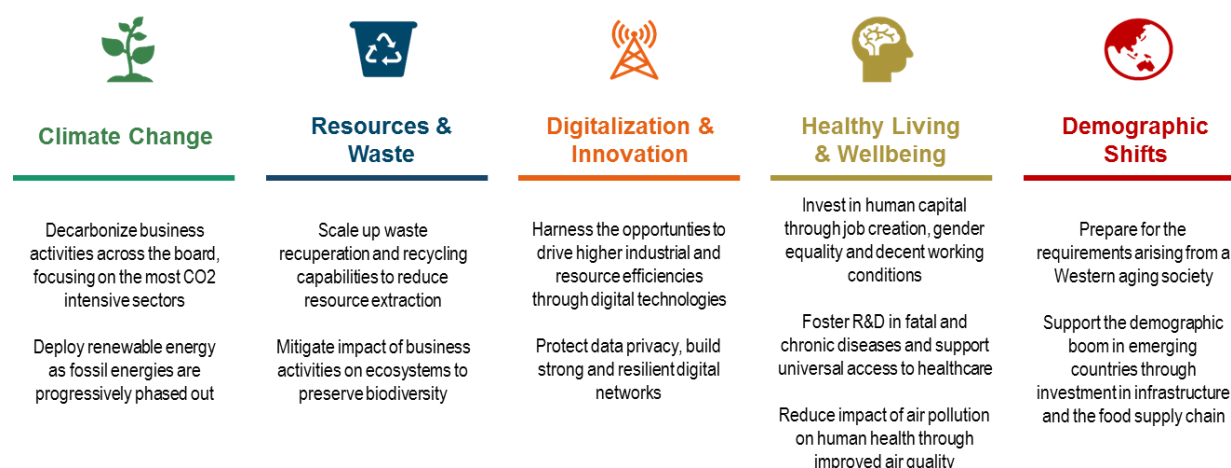
- **Temporal proximity:** when did the incident happen and how long did it last?
- **Magnitude:** what financial costs and environmental damage are related to the incident?
- **Credibility:** does the incident involve allegations, legal proceedings, etc?
- **Recurrence:** is this a one-off incident or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

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

measures.

3. Business Activities Analysis

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



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

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

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



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

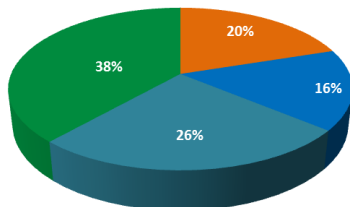
Relationships with stakeholders give rise to opportunities as well as risks, and are therefore determinants of long-term value. We evaluate the extent to which each company incorporates the interests of stakeholders in its long-term strategy. We have identified six categories of stakeholders:



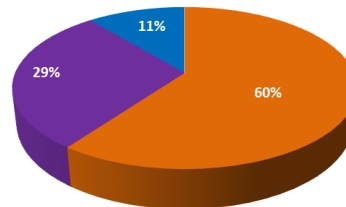
We determine the relevance of each category based on qualitative and quantitative data. For instance, we may look at the degree of attention paid to shareholders; the frequency of certain events such as accidents and fines; the tangible or intangible financial impact of ESG issues, and the outlook and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

Energy Sector - Stakeholder Weights

■ Investors ■ Employees ■ Society ■ Environment


Financials (Banks) - Stakeholder Weights

■ Investors ■ Customers ■ Employees



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

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

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

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

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

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

The combination of this evaluation and the weightings for each category of stakeholder relations obtained from Stakeholder analysis give the overall Stakeholder score (weighted average of the six individual stakeholder relations scores) for each company. The company's score ranges from 0 to 100 and are calculated using a best-in-universe regional approach.

5. ESG score

The final ESG score of each issuer, which ranges from 0 to 100, is the combination of the Business Activities and the Stakeholders Analysis scores.

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

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

The goal is to ensure that the models used by the analysts optimally reflect the sustainable development risks and opportunities affecting the sector in question. Companies are continuously monitored and the sector is reviewed at least twice a year.

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

There are several types of alerts that can be considered:

- SRI Monitoring Alert (for information only): This alert explains how the ESG team assessed the incident or controversy, even if there is no immediate change in the decision about the company's eligibility.
- SRI Alert: This alert means that the portfolio manager will no longer be able to add to his position in this issuer.

If an issuer is newly excluded due to the company-wide exclusion or norms-based filter, each portfolio manager has to sell the position 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.

For additional information, please refer to the Candriam Sustainability Risk Policy:

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

4. Investment Process

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

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

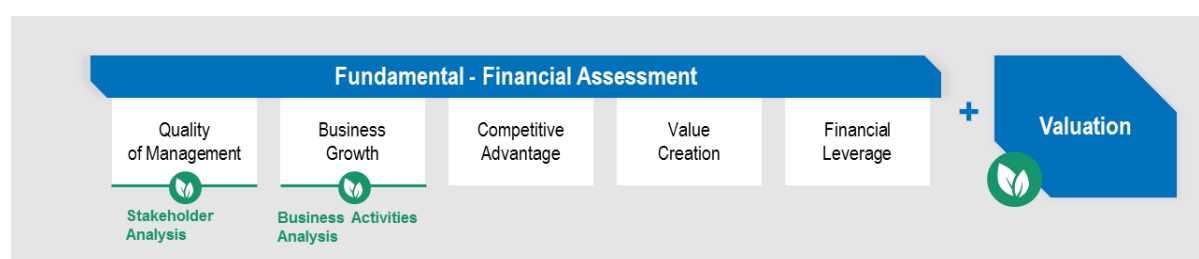
► ESG Integration for Equity Strategies

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

1. Fundamental Analysis

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

Candriam's fundamental equity strategies¹ take into account the "**Business Activities Analysis**" and "**Stakeholder Analysis**" scores in fundamental analysis and "**Company Valuation**" as follows:



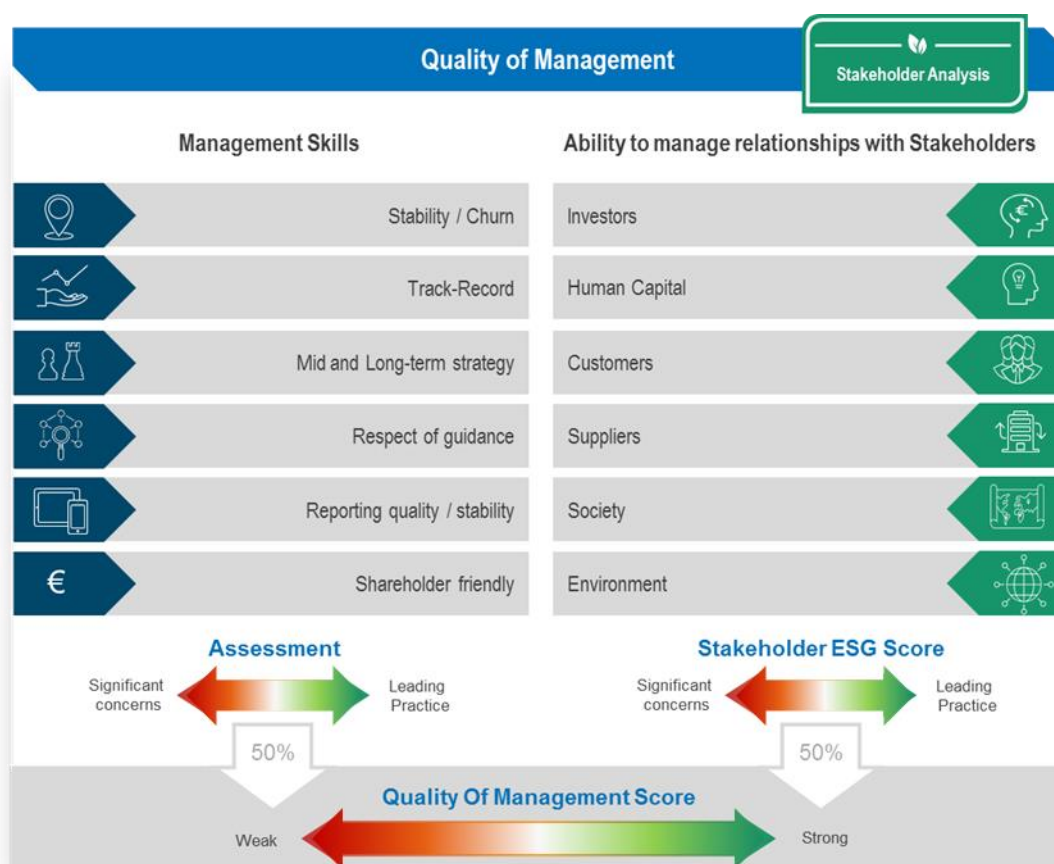
Quality of Management

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

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

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

¹ Applicable for developed markets (Emerging Markets get a specific analysis)

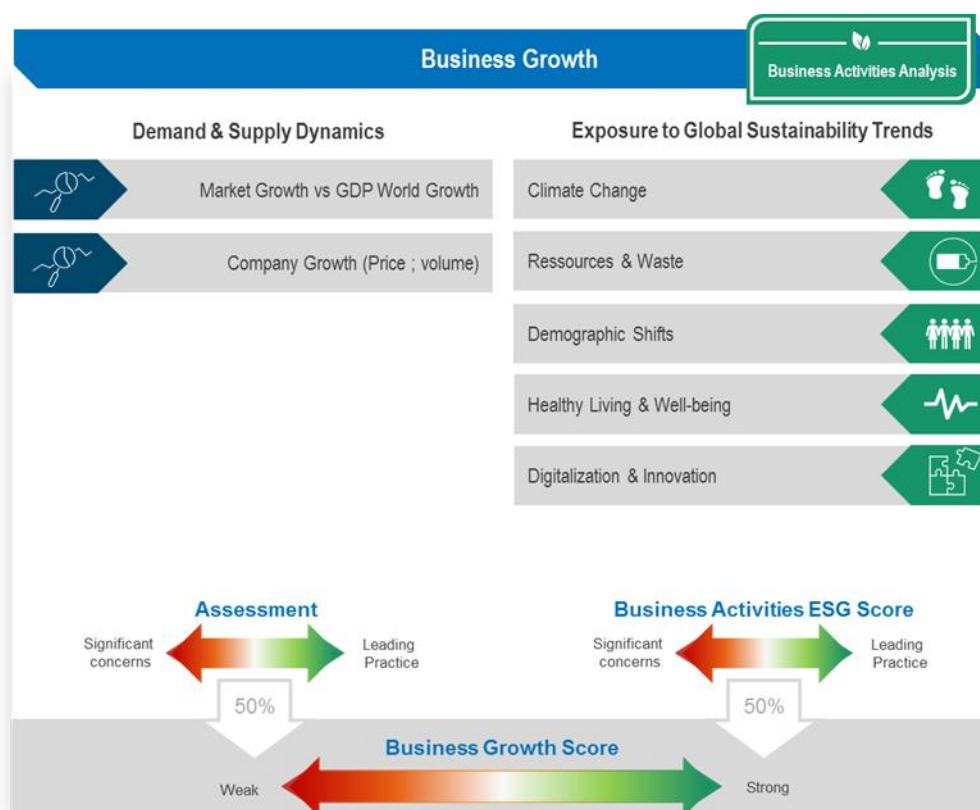


Business Growth

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

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

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



Competitive Advantage

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

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

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

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

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

Final Fundamental Assessment

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

The **ESG assessment is a contributing factor to determine the final colour/score of a company, which in turn will determine the weighting of this position in the final equity portfolio.**

2. Company Valuation

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

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

3. Portfolio Construction

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

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

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

► ESG Integration for Fixed Income Strategies

- Corporate issuers:

At Candriam, we believe that bond markets exhibit a asymmetric risk-return profile. The cornerstone of our investment philosophy is a high conviction approach based on rigorous bottom-up research in order to gain a deep and detailed understanding of the creditworthiness of every issuer. We believe that a complete assessment of the risks pertaining to issuers, and particularly downside risk, cannot be obtained without consideration of ESG factors. In line with this long-standing investment philosophy, our fundamental credit analysis has integrated ESG criteria over the past years while establishing our credit recommendations for every issuer in the investable universe.

Our credit analysis is based on a study of both the business profile analysis and financial profile analysis. During the business analysis step of our credit research process, we explicitly integrate ESG factors in order to evaluate the profile of a specific issuer. We believe a study of ESG factors is indispensable in order to get a complete understanding of the credit worthiness of an issuer. An entity's ability to fulfil its financial obligations includes both the willingness as well as the ability to reimburse its debt. A scrutiny and an evaluation of ESG factors provides us with vital extra-financial elements, enabling us to get a clear view of issuers profile. **This study is carried out by our credit analysts** who are specialised by sector and across investment grade, high yield market and emerging corporate bond markets. **This credit analyst team is supported by our independent ESG research unit** that includes **8 analysts that cover global credit markets and 3 analysts that are responsible for engagement** with companies.

The **ESG analysts** provide a strong platform for our credit analysts as a negative ESG assessment on an issuer will provide a negative signal. Having done the ground work on all the issuers, the ESG analysts are a valuable source of information and are a strong complement to our credit analysts, with whom they enjoy close interaction and knowledge sharing.

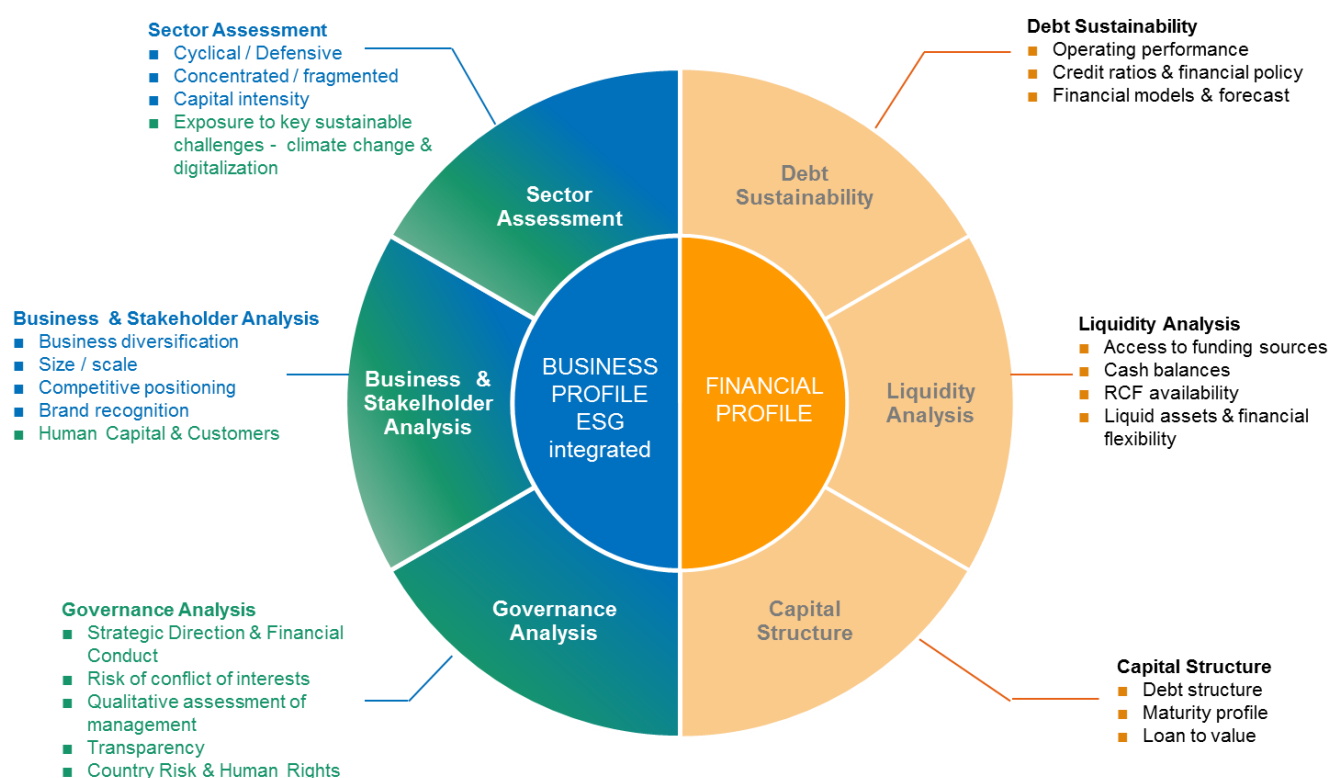
The ESG integration is carried out by our credit analysts and is geared towards better evaluating risks presented by each issuer and does not aim to exclude issuers. Instead the aim is to identify strengths and weaknesses from an ESG perspective so as to unearth opportunities and identify threats. The ultimate result is an assessment of the business profile of each issuer integrating ESG factors.

The environmental, social and governance factors are evaluated **based on their relevance and materiality to a company's credit worthiness**. We aim to combine qualitative and quantitative assessments on each of the

factors in order to gain a greater insight into the issuers future prospects. We use a sector-based approach to identify the aspects representing high-impact risks to enhance risk-adjusted performance. We do not limit our analysis to examining historic data as we use a forward looking approach, meaning that we will determine how these material factors may evolve in the future.

In addition to the **daily interaction between the ESG team and the credit analysts**, a **formalised monthly ESG committee** is also attended by credit analysts, portfolio managers and ESG teams, **chaired by the Global Head of Fixed Income** and the Head of ESG Investments and Research. During this meeting, both teams discuss their findings and results not only in terms of exclusions of issuers, but also in terms of the strengths and weaknesses of issuers based on ESG factors. Furthermore, trends and regulatory frameworks within different sectors are discussed and shared. Our ESG analysts also take part in our credit committees in order to gain a clear understanding of the overall credit recommendation for each issuer and the role that ESG integration has played.

Below we illustrate and detail how our analysts deal with the 3 factors for each issuer they analyse in order to build an ESG case and ultimately determine how it affects the business profile of a company.



1. Governance Analysis

Governance, defined as a system by which entities are directed and controlled, has always been an important element of our credit analysis. **Corporate governance is critical in helping companies achieve their goals and control risks through creating policy and monitoring its implementation.** The integration of the key metric is vital while assessing the future prospects of a company. Our credit analysts carry out regular meetings with management and benefit from their experience and long-term interactions with CEOs/CFOs in order to gather data and information on governance. Our framework allows us to establish a governance analysis for each company through a thorough understanding of **4 key themes (Strategic Direction & Financial Conduct; Risk of conflict of interests; Qualitative assessment of management; Transparency) both on a quantitative and qualitative level. These themes are analysed based on material factors** that have significant impact (both positive and negative) on the overall governance picture, based on the ESG analysis model.

2. Business & Stakeholder Analysis

The social factor in ESG integration examines the **degree to which a company manages its association with its workforce and with society at large**. This segment deals with identifying key themes that correspond to the social pillar and evaluating how best they have been addressed by the company. **Due to the rather specific nature of certain themes, they can only be applied to the relevant sectors**. Product safety for example does not always concerns the information technology sector, but will apply to automakers. Employee safety is more relevant to sectors like mining and construction rather than media and telcos. Other themes, such as training and career management, on the other hand can be applied to all the sectors. We aim to deliver the highest level of detail and granularity in our ESG integration and hence we differentiate between each social theme when we study them. **We also remain conscious of the fact that materiality differs amongst the different social themes**, and there is a demonstrate relevance of the sector specific issues.

3. Sector Assessment

The environmental angle is analyzed by primarily focusing on aspects such as climate change and resource depletion, while also paying close attention to pollution and biodiversity in certain cases. The aim is to gain a clear understanding of the risks that each issuer exhibits from an environmental perspective. This pillar is highly driven by regulation, which impacts all sectors though in a different manner. Certain sectors (Automobile, Energy) are more CO2 intensive and hence the transformations needed are likely to be more intensive as a result of far greater regulation. The framework hence differs between CO2 intensive sectors, though each one is subject to regulation and an understanding of how a company aligns itself to the various targets that have been set is key.

4. ESG integration in Business Profile Rating

After the ESG segments have been assessed, we integrate them in our analysis of the business profile, specifically within the 3 themes that have been mentioned above, which are Sector Assessment, Business Analysis and Governance. In doing so, on a qualitative basis, our analysts are able to incorporate the results of the ESG framework into the overall business profile evaluation. It is important to note that a weak ESG assessment can have a material impact on the business profile score, moving it from strong to satisfying or even to weak, depending on the amplitude of the results. Furthermore, in terms of the ESG framework, our credit analysts understand that structurally the ESG risks of an issuer are skewed towards the downside. A good ESG evaluation is likely to help the company over the longer term. However, a weak one is likely to have an immediate impact on the issuer. As a result, credit analysts pay special focus on weak ESG assessment, which will be more likely to bring about a change in our business profile rating.

Finally, we also pay a special attention to the afore mentioned ESG ranking, which is calculated by our ESG team as a part of the exclusion of the least credit worthy issuers within our investment universe. For every issuer, we do consult this ESG ranking in order to compare with the ESG assessment that is carried out by our credit team. This final step, before actually providing an final business profile score, allows our credit analysts to perform an overall check in terms of their ESG evaluation. Indeed, if an issuer is deemed weak by our ESG team, then it cannot have a strong business profile score.

- Sovereign issuers:

For sovereign issuers, Environmental, Social and Governance (ESG) factors are taken into account in our country and government bond selection process. The analysis and selection of government bonds consists of three steps: the sovereign credit recommendation, the country valuation and the government bond selection.

ESG factors are integrated in the process through the determination of our **sovereign credit recommendation**.

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

In the third step, the **government bond selection**, we use internal tools to spot valuation opportunities among countries and by maturity bucket. We detect these opportunities through a systematic analysis of the spreads,

aided by an internal Relative Value Tool (carry & roll down) and statistical analysis of the trends of spreads for each instrument.

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

ESG factors are embedded in the financial process in order to better assess risks and opportunities. The results of the Business Activities analysis, which includes assessing exposure of corporates to climate change, are integrated in our financial/credit framework. It will thus have an impact on the final issuer score/color and valuation for our equity strategies and the credit recommendation for fixed income strategies. Moreover, each investment strategy aspires to have a lower carbon emission in comparison to its relative benchmark or below an absolute threshold, depending on the investment strategy. Recall that all strategies may not invest in any company that derives more than 10% of its revenue coming from Thermal Coal.

For further information on ESG integration, please refer to question 4.1.

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

All issuer that are present in the portfolio must respect the company-wide exclusion policy. In case of specific events (e.g index additions, primary market issuances, etc.) and resulting of no coverage in terms of company-wide exclusion analysis, ESG analysts are notified of this specific event and an approval is granted (or not) to all portfolio managers.

We believe that a complete assessment of the risks pertaining to issuers, and particularly downside risk, cannot be obtained without consideration of ESG factor. Hence, we strive to incorporate, as much as possible, ESG information within our investment decision making process even if the issuer is not subject to an in-depth ESG analysis conducted by our ESG team.

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

Not applicable

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

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. More specifically, these strategies aspire to obtain a lower carbon emission against their benchmarks or compare to an absolute threshold, depending on the investment strategy. We also aspire, for sovereign strategies, to obtain a better Freedom House and Environmental Performance indexes compare to their respective benchmarks.

4.6. The funds covered by this Code seek to avoid investing in companies involved in major controversies linked to social issues. Does (do) the fund(s) engage in securities lending activities?

Yes, the funds covered by this Code may conduct securities lending.

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, the investment strategies may use derivatives as defined below:

- Interest rate futures: management of the funds in question may involve the regular use of interest-rate futures based on government bonds, in order to adjust the portfolio's duration (upward or downward) across the different segments of the yield curve.
- 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.
- Equity swaps: management of the funds in question may involve the use of equity swaps.
- Credit derivative indices: management of the funds in question may involve the use of credit-derivative indices, in cases where the funds must quickly adjust their exposure to the markets.
- Credit Default Swaps (CDS): the funds in question may use CDS on an issuer in the portfolio.
- 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.
- 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.
- Listed options / OTCs on individual equities or on bond issuers.

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

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

Depending on the investable asset classes and within the limits defined by the approved prospectus, the investment strategies may invest in mutual funds. External funds must have an exclusion policy relating to controversial weapons, thermal coal and tobacco.

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, ...).

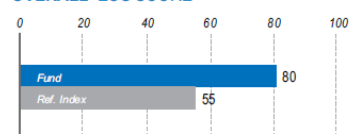
6. Impact measures and ESG reporting

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:

OVERALL SUSTAINABILITY SCORE

OVERALL ESG SCORE

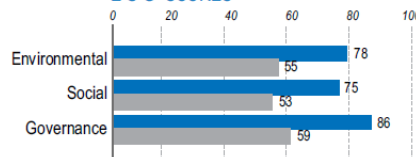


Score goes from 0 (worst) to 100 (best).

Coverage Rate (Fund/Index): 100.0% / 95.7%

Image provided for illustrative purposes only.

E-S-G SCORES



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

- **Carbon Footprint:** Carbon Footprint Metrics of an investment portfolio refers to measurement of greenhouse gas (GHG) emissions by summing the proportional GHG emissions of the underlying holdings, proportional to the share of ownership. For further information on the carbon footprint, please refer to the Appendix.

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:

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

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

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

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

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

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

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

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

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

7. APPENDIX

1. Additional information – Carbon Footprint

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

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

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

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

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

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

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

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

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

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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