

**Disclosures pursuant  
To article 10 of  
Regulation 2019/2088  
on Sustainability-  
Related Disclosure in  
the Financial Services  
Sector (SFDR)**

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## A. General Approach

Candriam makes use of several methodologies that are instrumental in attaining the sustainable investment objectives defined for financial products classified as article 9. The table links available below provide an overview of the different methodologies applicable to the article 9 products covered by this disclosure.

## B. Methodologies used to assess sustainable investment objectives of article 9 products

### I. Corporate issuers

#### Positive selection

Positive selection aims to create a fund specific investment universe focusing on issuers presenting the highest ESG scores as defined by Candriam's proprietary ESG scoring methodology.

Candriam's proprietary ESG analyses are designed to assess companies' ability to manage sustainability-related challenges from two distinguishable but interlinked angles:

- **Business activities analysis:** a strategic assessment of how companies' activities address the key sustainable challenges including climate change, resource depletion, health & wellness, digitalisation and demographic evolution.
- **Stakeholder analysis:** evaluation of how companies manage material stakeholder issues including those involving employees, clients, society, environment, suppliers, investors.

It consists of selecting the best positioned companies per sector (class) or within the broad investment universe.

#### ESG Integration

Candriam article 9 products integrate ESG information and analysis into investment decisions through the Business Activities and Stakeholder analysis in order to better assess the risks and opportunities that stem from the business and operations of companies.

For more, please refer to the [Candriam ESG Integration policy](#)

#### Thematic selection

Focusing on themes with a strong sustainable impact offers the opportunity to deliver investment products that are tailored to specific sustainability goals. Thematic strategies go beyond sector strategies. Thematics are defined by the investment theme and can pursue opportunities across traditional or index sector definitions. Candriam offers a range of thematic global strategies to help clients invest in the trends and companies that are at the forefront of sustainability.

## **Selectivity**

When applicable, the analysed investment universe is reduced by a certain percentage, defined in pre-contractual documentation, removing issuers with the lowest ESG quality from the investable universe.

## **Norms-based Analysis**

With the purpose of reducing ESG associated risks and in order to take account of far-reaching societal changes, the Norms-Based Analysis excludes companies that have significantly and repeatedly breached one of the ten principles of the United Nations Global Compact or the guidelines for multinational enterprises defined by the Organisation for Economic Co-operation and Development (OECD), gathered into the four following pillars: Human Rights, Labour Rights, Environment and Corruption.

When companies face severe to very severe controversies in term of impact, duration, frequency and/or lack of response from the management of the company, we attribute them a Red Flag on the breached pillar. In order to successfully pass the norms-based analysis filter, issuers must not have been attributed a Red Flag in any of the four fields. Since this list focuses on the degree of controversy irrespective of the domain of controversy, it goes beyond the ten UN Global Compact Principles and encompasses any material adverse corporate practices.

For more information regarding the Norms-Based analysis, please refer to the [Candriam Exclusion Policy](#).

## **Exclusions: SRI and additional**

The Candriam SRI Exclusion policy excludes companies that are significantly exposed to controversial activities such as, but not limited to, tobacco, thermal coal, weapons and unconventional oil & gas production.

It is the most comprehensive level of exclusions, integrating the Extended Exclusion Policy criteria, and adding to it activities that are deemed too controversial for a sustainable investment portfolio, such as the production of adult content, alcohol, gambling, etc.

For more information, please refer to the page 3 of the [Candriam Exclusion Policy](#).

Other additional exclusions of controversial activities can be applied on a case-by-case basis. Such ad-hoc exclusions are described in the product specific pre-contractual documentation.

## II. Countries / Supranational issuers

### Positive Selection: Best-In-Universe

Candriam's proprietary Best-In-Universe sovereign analysis assesses how a country manages its environmental, human, social and economic capital by applying policies that support both short and long term sustainable development and aims to select the best positioned countries in the universe.

For more information, please refer to the [Sovereign Sustainability report](#).

### ESG Integration

For sovereign issuers, Candriam's ESG materiality framework is designed to assess countries' ability to manage sustainability-related challenges through the four capitals of the sovereign analysis. The Environmental, Social and Governance (ESG) factors used in this ESG sovereign framework are then taken into account in our sovereign bond selection process.

For more information about the ESG Integration in the sovereign investment process, please refer to the [Candriam ESG Integration policy](#) and the [Sovereign Sustainability report](#).

### Impact strategy

Bring a positive impact by investing primarily into bonds for which the use of proceeds contributes to one or several Sustainable Development Goals (SDG) targets. When issued by sovereigns, the social, green or sustainable bonds finance national projects aiming at achieving certain Sustainable Development Goals (SDGs).

### Norms-based analysis

This methodology assesses to what extent countries meet our minimum standards in terms of democracy and degree of freedom. This filter consists of three elements:

- Candriam's Highly Oppressive Regimes List – countries with severe violations of Human Rights perpetrated by the state
- Financial Action Task Force Call for Action List – states suspected of supporting and/or financing terrorism
- Freedom House's Freedom in the World Index – states that are considered Not Free by the Freedom House organisation

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

The Norms-based analysis applied for supranational organisations is identical to the one applied to corporate issuers as detailed under **Norms-based Analysis** above. The supranational organisations must have a mission that complies with the principles of

sustainable development and not have committed any major systematic breaches of the principles of the United Nations Global Compact.

For more information, please refer to the [Candriam Exclusion Policy](#) and to the [Sovereign Sustainability report](#).

### III. Stewardship

Stewardship is a key part of Candriam's investment process, given its potential impact on investment returns and its appropriateness as a channel to discuss sustainability impacts with investee companies. Candriam engages with the management of investee companies on a range of aspects. Stewardship takes the form of a direct and individual dialogue between ESG analysts and the representatives of the company and other stakeholders.

Candriam's voting policy favours resolutions that support sustainable development principles in accordance with its Voting Policy. Candriam also encourages sustainable development within the financial markets by sharing expertise with customers, the media, and the broader financial community through conferences, working groups, and educational initiatives.

For more information, please refer to the [Engagement Policy](#) and [Voting Policy](#).

### C. Sustainable investment objective for article 9 products

Article 9 products covered by this disclosure aim to have long-term positive impacts on key **sustainability objectives relating to environmental and social domains**.

Candriam has developed an impact assessment methodology based on the analysis of business activities of companies and their contribution to major sustainable objectives defined below as the Key Sustainable Challenges. As part of this assessment, Candriam analysts aim to measure to what extent companies' products and services contribute to these Key Sustainable Challenges, which are:

- Climate change
- Resource depletion
- Health & wellness
- Digitalisation
- Demographic evolution

This assessment forms the bedrock of each company's overall ESG score, together with the analysis of their stakeholder management. On the one hand and through the integration of this business activity impact assessment, Candriam is able to focus investments by broadly diversified portfolios on companies contributing to several sustainability objectives. On the other hand, Candriam monitors, among other things, social and employee issues, respect for

human rights, the fight against corruption and bribery through the analysis of companies' stakeholders management. The ESG score measures both the positive and negative contributions companies make to Key Sustainable Challenges and the steps they take to avoid that their Business Activities cause significant harm to the material Stakeholders issues including employees, clients, society, suppliers and environment.

More specifically, unless otherwise indicated within the pre-contractual documentation, article 9 products aim to contribute to addressing climate change, in line with the objectives of the Paris Agreement.

In order to achieve this sustainable investment objective, Candriam implements across all directly managed investment portfolios an exclusion policy targeting thermal coal extraction and power generation. Furthermore, reduction of Candriam's exposure to the most greenhouse gas intensive corporate activities is part of Candriam's strategy to address climate change.

For corporate issuers and depending on the strategies, Candriam's proprietary methodology evaluates the alignment of business activities to climate change.

For sovereign issuers, the Candriam Sovereign Sustainability Model approach adopts the concept of 'Environmental Efficiency'. Countries are evaluated on the efficiency with which they create well-being in the form of Human, Social, and Economic Capitals, accounting for potential depletion of or damage to the natural environment in the process of creating this well-being.

Furthermore, some sub-funds, as defined in pre-contractual documentation, aim to deliver a portfolio with a carbon footprint at least 30% lower than their respective benchmark. Depending on the sub-funds, other climate change or quality living related Key Performance Indicators, such as an alignment with a specific temperature objective or a positive contribution to the UN Sustainable Development goals, can be defined.

For more information, please refer to the [Candriam Climate Policy](#).

## **D. Index selection for products classified as article 8**

Candriam has elected to use traditional, non ESG focused, benchmarks for all article 9 products.

These benchmarks represent the state of the overall economy Candriam aims to compare its products against. Existing indices that explicitly take into account sustainability objectives are not deemed suitable for most strategies and their sustainability objectives. These sustainability focused benchmarks are based on ESG data from specific ESG data providers, with their own methodologies and scoring system that might differ from Candriam's approach to ESG. Candriam believes that, whilst such comparison might be interesting to investors, adopting these external ESG benchmark could lead to a loss of diversification by encouraging all Candriam products to track external ESG scores rather than Candriam's own ESG scores.

## E. Data sources and processing for E&S characteristics

Candriam strives to source information from multiple data sources in order to integrate ESG in the investment approach. Such diversity of ESG data sources is made even more necessary by ESG data providers' varying coverage, in particular in terms of ESG thematics, regions and underlying methodologies. The breadth of ESG data collected within Candriam's ESG systems enables ESG analysts to reach a more holistic view of issuers' sustainability dimensions and improve reliability of ESG data.

By centralizing the analysis of ESG data for all issuers covered, Candriam's proprietary ESG database is a key tool for consolidating internal and external information. This database contains all the sectoral models, allows for the monitoring of controversies, and calculates proprietary ESG scores of companies based on the sectoral model whilst taking into account data from external providers.

Please find an overview of the external ESG data providers used by Candriam in the corresponding [Article 9 Transparency Code](#), point 3.2, mentioned in the available table.

## F. Methodologies overview

### Belgium

[https://www.candriam.com/siteassets/medias/publications/sfdr/table/be-art.-9-2022\\_01\\_06.pdf](https://www.candriam.com/siteassets/medias/publications/sfdr/table/be-art.-9-2022_01_06.pdf)

### Austria

[https://www.candriam.com/siteassets/medias/publications/sfdr/table/at-art.-9-2022\\_01\\_06.pdf](https://www.candriam.com/siteassets/medias/publications/sfdr/table/at-art.-9-2022_01_06.pdf)

### France

[https://www.candriam.com/siteassets/medias/publications/sfdr/table/fr-art.-9-2022\\_01\\_06.pdf](https://www.candriam.com/siteassets/medias/publications/sfdr/table/fr-art.-9-2022_01_06.pdf)

### Germany

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### Ireland

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### Italy

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### Luxembourg

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### Netherlands

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### Switzerland

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**United Kingdom**

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**Denmark**

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**Spain**

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**Portugal**

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**Sweden**

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