

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 contribute to define, measure and monitor the Environmental & Social (E&S) characteristics applicable to financial products classified as article 8. The table links available below provide an overview of the different methodologies applicable to each article 8 products covered by this disclosure.

B. Methodologies used to assess E&S characteristics of article 8 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 8 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.

The norms-based analysis is structured on two levels:

- **Red Flag**, the broader level of norms-based exclusions, aiming to identify companies with severe to very severe controversies in terms of impact, duration, frequency and/or lack of response from the management of the company. 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.
- **Out List**, a narrower list of excluded companies, focusing on a stricter interpretation of UN Global Compact violations, as assessed by Candriam's ESG analysts.

Please, refer to the available table to determine which Candriam article 8 products apply the Red Flag and Out List analysis.

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

Exclusions: Company-Wide, Extended and SRI

The Candriam 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.

The controversial activities are defined on three different levels:

- **Company-wide Exclusion Policy** focuses on activities enjoying the widest consensus regarding their unsustainability and incompatibility with a sustainable investment approach. Example of such activities include the manufacturing or distribution of controversial weapons, the production or exploitation of thermal coal or tobacco.
- **Extended Exclusion Policy** includes the criteria contained in Company-wide Exclusion Policy and adds to it the manufacturing of conventional weapons, oppressive regimes and climate-related risks.
- **SRI Exclusion Policy**, 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.

To determine what level is applied by Candriam article 8 products, please refer to the available table.

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

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.

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. Environmental & Social characteristics for article 8 products

Article 8 products covered by this disclosure aim to promote environmental and social characteristics and strive to exceed benchmark averages on verifiable impact indicators.

For corporate issuers, 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. The ESG scores are measured through the Business Activities and Stakeholder analysis and measure 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.

For Sovereign issuers, Candriam aspires to obtain a better Freedom House and Environmental Performance indexes score compared to their respective benchmarks.

In addition, for their portfolio exposure to corporate issuers, the article 8 products aim to reduce their carbon emissions either relative to their benchmarks or below an absolute threshold. As a reminder, Candriam implements across all directly managed investment portfolios an exclusion policy targeting thermal coal extraction.

D. Index selection for products classified as article 8

Candriam has elected to use traditional, non ESG focused, benchmarks for all article 8 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 the Candriam in the corresponding Article 8 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.-8-2022_01_06.pdf

Austria

https://www.candriam.com/siteassets/medias/publications/sfdr/table/at-art.-8-2022_01_06.pdf

France

https://www.candriam.com/siteassets/medias/publications/sfdr/table/fr-art.-8-2022_01_06.pdf

Germany

https://www.candriam.com/siteassets/medias/publications/sfdr/table/de-art.-8-2022_01_06.pdf

Ireland

https://www.candriam.com/siteassets/medias/publications/sfdr/table/ie-art.-8-2022_01_06.pdf

Italy

https://www.candriam.com/siteassets/medias/publications/sfdr/table/it-art.-8-2022_01_06.pdf

Luxembourg

https://www.candriam.com/siteassets/medias/publications/sfdr/table/lu-art.-8-2022_01_06.pdf

Netherlands

https://www.candriam.com/siteassets/medias/publications/sfdr/table/nl-art.-8-2022_01_06.pdf

Switzerland

https://www.candriam.com/siteassets/medias/publications/sfdr/table/ch-art.-8-2022_01_06.pdf

United Kingdom

https://www.candriam.com/siteassets/medias/publications/sfdr/table/gb-art.-8-2022_01_06.pdf

Denmark

https://www.candriam.com/siteassets/medias/publications/sfdr/table/dk-art.-8-2022_01_06.pdf

Spain

https://www.candriam.com/siteassets/medias/publications/sfdr/table/es-art.-8-2022_01_06.pdf

Finland

https://www.candriam.com/siteassets/medias/publications/sfdr/table/fi-art.-8-2022_01_06.pdf

Portugal

https://www.candriam.com/siteassets/medias/publications/sfdr/table/pt-art.-8-2022_01_06.pdf

Sweden

https://www.candriam.com/siteassets/medias/publications/sfdr/table/se-art.-8-2022_01_06.pdf

Slovakia

https://www.candriam.com/siteassets/medias/publications/sfdr/table/sk-art.-8-2022_01_06.pdf

Luxembourg - Brussels - Paris - London



Amsterdam - Dubai - Frankfurt - Geneva - Zurich - Madrid - Milan - New-York



140 bn €

AUM as at
30 June 2021



570

Experienced and
committed professionals



25 years

Leading the way in
sustainable investing

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