



Candriam’s Climate Policy

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Climate change is one of the most urgent and important challenges that society and investors are facing today. It is also a source of opportunity for investors through the reallocation of capital and innovation that our responses to climate change are creating and will undoubtedly stimulate. As an asset manager, Candriam's responsibility is to preserve and develop the assets of its investors. Candriam therefore integrates climate change at every level of analysis and investment decision making as well as in the exercise of its role as an active and responsible investor.

The financial sector is one of the main allocators of capital in the real economy. The investment decisions taken by asset managers have a direct or indirect influence on the cost of financing for companies, their ability to develop certain projects rather than others, and their strategic choices. Moreover, these investment decisions are coupled with an ability to influence companies, among other things through the exercise of voting rights held as a shareholder in those companies. This capacity to influence also entails a responsibility to exercise it in the interests of our investors, while taking into account the impact of our decisions on society at large.

At Candriam, we are taking part in the fight against climate change because we believe it is our responsibility as a global investor, and because we believe it is the best way to protect our clients' investments in the long run. As a result, we committed to becoming net zero by 2050 at the end of 2021. This will redefine the way we invest, impact how our investment teams manage climate risks and ultimately create positive climate benefits.

Our climate policy presented here is aligned with the TCFD recommendations and covers Candriam's climate-related governance, strategy, risk management, metrics & objectives.

1. Governance of climate related risks and opportunities

Candriam's Group Strategic Committee (hereafter « GSC ») is the company's primary body to steer Candriam's strategy. The GSC is the company's ultimate decision body for all matters relating to Candriam's investment and corporate business activities.

Candriam's GSC regularly reviews the company's exposure to climate change risks and opportunities. It can choose to seize itself of a particular climate related subject, or it will review climate related proposals arising from Candriam's business lines. In undertaking its review of climate related risks and opportunities, the members of the GSC can request the support of relevant people within the organization, such as risk managers, ESG analysts, or sector specialists. A team of dedicated ESG analysts, reporting directly into the organization's Chief Investment Officer, is responsible for providing research and market intelligence on climate change impact on Candriam's business activities.

The Sustainability Risk Committee set up in 2020 and reporting directly to the GSC is specifically tasked with identifying, assessing, and monitoring climate change related (and other ESG) risks in order to take appropriate decision.

Assessing climate related opportunities can translate into new product proposals, amendments of existing management processes, or review of company policies. It is the role of the GSC to review such 3 proposals and, in light of Candriam's positioning, resources, and assessment of financial impact, to give its approval for the proposal to be implemented.

The numerous investment portfolio held by Candriam expose the company to significant climate-related risk through the risks faced by the companies held in these portfolios. The GSC reviews Candriam's exposure to climate related risks arising from these holdings (Scope 3 GHG emissions), as well as arising from the company's own operations (Scope 1 and 2 GHG emissions). Front office and control business lines seek to minimize and mitigate Candriam's investments exposure to climate related risks. Front Office functions include all fund management activities. Candriam has taken steps to mitigate climate related risk exposure at Front Office level, by for instance, excluding the most carbon intensive power generation activity, based on thermal coal, from all portfolios managed by Candriam. Control

business lines are in charge with Candriam's risk management, legal, procurement, and compliance functions. They regularly report to the GSC on Candriam's exposure to climate related risks and make proposal aimed at lowering that risk.

2. Candriam strategy towards climate change related risks and opportunities

Defining Candriam's Climate Strategy is the joined responsibility of the Group Strategic Committee and the company's Executive Committee. The strategy is then implemented by the company's Executive Committee and the different business lines. In defining Candriam's Climate Strategy the organization takes into account the short-, medium- and long-term impacts of the company's activities and its exposure to climate risk over the different time horizons.

Candriam's Climate Strategy is articulated around the core functions and activities of the organization: investment management products and services, corporate stewardship & active ownership, the company's own operations.

In 2022, we further integrated climate change at the heart of our ESG strategy and investment philosophy by committing to net zero by 2050 with very ambitious 2030 objectives. We joined the NZAMI in November 2021. As part of this commitment, we have published in April 2023 a new climate strategy available [here](#).

The implementation of our net zero strategy is a company-wide commitment involving all teams at Candriam, including ESG, Fund Management, Risk, Data, Reporting, that are all contributing to the development of the necessary tools and monitoring process. The monitoring of progress is done very regularly to the Sustainability Risk Committee and at least once a year to the Group Strategic Committee.

3. Climate strategy

3.1. Candriam's climate approach

For over 15 years, climate change mitigation and adaptation have been firmly embedded in Candriam's ESG analysis across its sustainable investment strategies. . For several years now, we have been measuring and disclosing the carbon footprint of our sustainable funds with the overarching ambition to gradually reduce the footprint of these strategies. In 2020, we set the objective for our SRI strategies¹ to reduce their carbon footprint by 30% compared to their benchmarks. Our climate approach has always been based on four complementary pillars:

¹ SRI strategies where setting such an objective is possible and relevant, which excludes money market funds, green bonds and thematic funds. For environmental thematic funds, climate objectives have been set using a temperature metric.

The four complementary pillars of our climate strategy



Source: Candriam

3.1.1. Excluding activities that are deemed incompatible with the Paris goals

Climate science and scenarios are very clear: there is no room for thermal coal if we want to achieve the Paris goals. This is why we decided to exclude coal from our investments in 2018. The exclusion applies to all companies that derive over 5% of revenues from coal-fired power generation or coal mining, and those that develop new thermal coal projects. Our SRI strategies² also apply additional exclusions targeting the oil and gas sector: all companies deriving over 5% of revenues from the extraction, refining, transport and distribution of oil and gas, both conventional and unconventional, as well as companies deriving over 50% of revenues from the provision of equipment dedicated to the oil & gas industry are excluded from SRI strategies. Only those companies that demonstrate a credible decarbonization strategy in line with the goals of the Paris Agreement according to our net zero analysis can be eligible.

3.1.2. Integrating climate risks and impacts in our investments

We have developed several tools to assess climate risks and associated impacts and have integrated these dimensions into our investments: carbon metrics, a transition risk analysis tool, and an analysis of temperature alignment.

- **Carbon metrics** We have measured and integrated carbon metrics since 2018, starting with SRI strategies and expanding progressively to all our investment strategies where carbon calculation is possible and relevant. We first focused on scope 1 and scope 2 emissions. Since the start of 2023, scope 3 emissions are measured and full scope data are being made available to all investment teams. Since 2020, most of our SRI funds³ have the objective of reducing their carbon footprint by at least 30% compared to their benchmark.
- **Transition risks**

Climate risk mitigation goes much further than studying carbon footprints. We have developed an internal proprietary model to assess the specific transition risks faced by issuers in high-stake sectors. This tool allows us to identify the companies that are likely to face high risks related to the transition to a net zero world, such as the risk of stranded assets or the risk of seeing their business outlook impacted by climate-related regulation. The model combines the expertise of our ESG team and our quantitative team. It is based on both the company's specific exposure to transition risks, linked to its activities and countries of operation, and its management of climate risks. Transition risks corresponding to the potential financial impact on companies resulting from the low carbon transition are generally classified

² Candriam Sustainable SICAV, article 9 funds

³ SRI strategies where setting such an objective is possible and relevant, which excludes money market funds, green bonds and thematic funds. For environmental thematic funds, climate objectives have been set using a temperature metric.

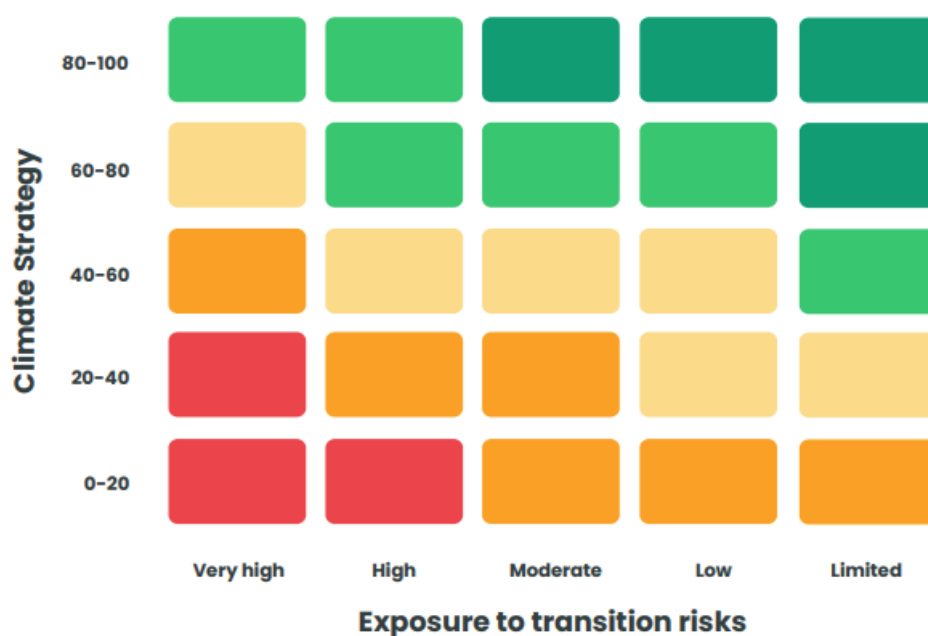
under four sub-categories: regulatory change risks, technological change risks, shifts in demand risks and reputation risk.

Our proprietary analysis tool identifies and measures the transition risks faced by companies. The analysis is carried out at the level of individual issuers and combines two dimensions:

- **The corporates exposure to transition risks**, which combines the assessment of the impacts of the companies' activities on climate with the company's geographical footprint. Various activities face various level of transition risks depending on where they are located and the nature and speed of the transition in each region or country.
- **The corporates' climate strategy**, which assesses the quality and credibility of companies' climate strategy and how they manage their transition risks.

We combine these two factors to rank companies according to their management of transition risks in five categories: Highly insufficient / Insufficient / Average / Good / Excellent. This assessment feeds our investment analysis and is used to target our engagement efforts: we prioritise the companies facing the highest risks.

Transition risk matrix

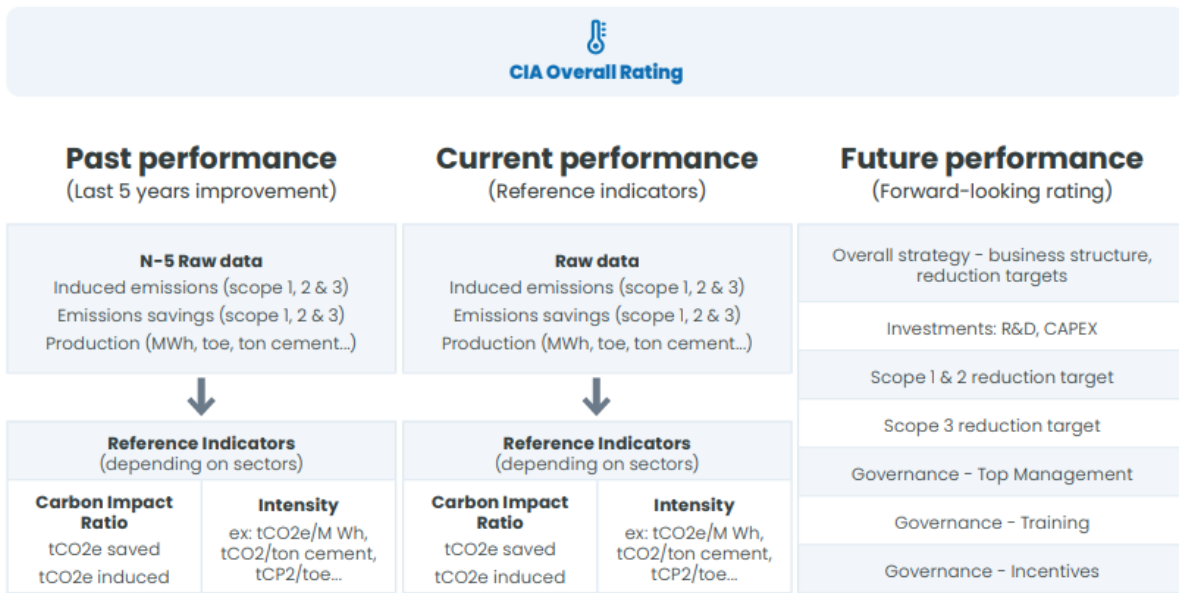


Source: Candriam

- **Temperature alignment**

We have a partnership with Carbon4Finance (C4F) that helps us assess the temperature alignment of a portfolio, i.e. which climate trajectory the portfolio is aligned with. This analysis is based on both historical and prospective data and allows us to assess the impact of each company and the whole portfolio on the pursuit of a decarbonization trajectory that would maintain the increase in temperature "well below 2 °C". Carbon4Finance's Climate Impact Analytics (CIA) is based on a measurement of the company's climate performance, using the Sector Decarbonization Approach (SDA) recommended by the Science-Based Targets initiative (SBTi) for high-stake sectors. In addition, the climate impact of the company's products and services is assessed via a detailed scope 3 analysis.

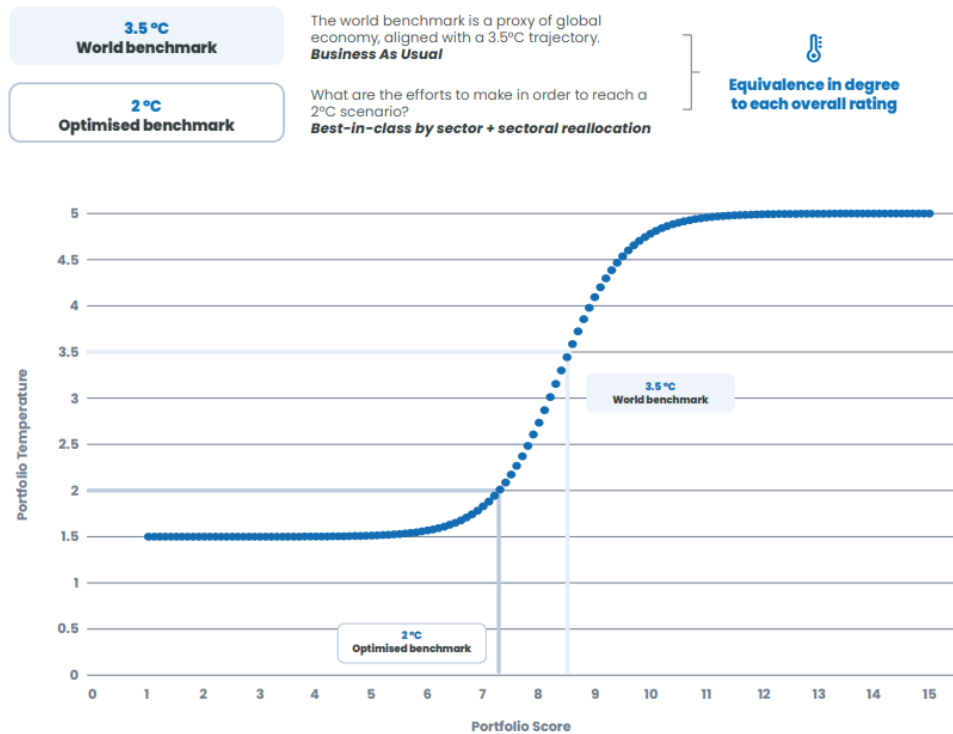
Carbon4Finance climate impact analysis framework



Source: Carbon4Finance

Each company is assigned a rating between 1 and 15, according to its degree of positive or negative contribution to achieving the objectives of the Paris Agreement (1-3 = Strong contributor / 13-15= Incompatible). This analysis is then aggregated at portfolio level to obtain a temperature, which reflects the portfolio's level of contribution to a decarbonised economy (the temperature ranges from +1.5 °C to +6 °C, with the objective of being below 2 °C to be in line with the Paris Agreement). The weighted average portfolio climate score, calculated in aggregating issuers' climate score, is computed into portfolio temperature through C4F proprietary climate equation, as highlighted below.

Calculating portfolio temperature






Source: Candriam, C4F data

3.1.3. Engaging with high emitting companies to accelerate their transition strategy

Individual and collaborative dialogue, as well as active voting, are central to our investment approach. We believe in the power of dialogue and sharing best practices to help corporates improve. We are particularly attached to the consistency between ESG opinion, outcome of dialogue and orientation of our votes. Coordinating these activities is ensured by a dedicated team of 5 people within Candriam's ESG department, working in close collaboration with our ESG sector or country specialists as well as our investment teams. We also increasingly include external stakeholders in our engagement activities when we think they may bring value-adding insights that may help better balance our opinion.

Since 2015, the Energy transition is one of the three Candriam's topics put forward by both ESG and financial analysts when dialoguing with investees. As a responsible asset manager, Candriam has signed the following climate related initiatives and adhered to the Green & Sustainable Bonds Principles.

The Investor Agenda	E	2018	
Commitment to support a just transition on climate change	ESG	2018	
TCFD supporter	E	2021	

As we endorsed the TCFD recommendations, they are fully integrated in our engagement and voting policies.

When setting priorities for climate engagement on the corporate side, we take into account:

- issuers presenting a weak transition profile identified by our proprietary risk transition model, and/or still highly carbon intensive (Scope 1-2) or with large Scope 3 emissions,
- issuers in high stake sectors largely exposed to fossil fuels,
- and the relative exposure of our portfolios to the above issuers.

We use our experience and leverage in engagement to select the best strategy to achieve our goals. We usually combine individual and collaborative dialogue.

Over the past years, we have conducted dedicated engagement campaigns towards Energy, Materials, Automobiles, Utilities and Finance sectors. We have supported the CDP Disclosure campaign since 2004 and the SBTi since 2021. Candriam also joined the CA100+ initiative in 2017. Candriam actively contributes to the "Paris-aligned Accounting" engagement led by IIGCC, which relies, among others, on Carbon Tracker's contributions and aims at an alignment of accounting practices with the Paris Agreement. In 2020/2021, we have actively engaged with the financial sector as well, both through a dedicated IIGCC working group and through the ShareAction initiative, which targets banks and insurance companies that support fossil fuels and particularly coal and non-conventional energy sources. On top of this, we also use direct dialogue, we notably conducted a direct engagement campaign on Finance and Climate over the last few years. We believe increased transparency provides both companies and stakeholders with critical tools for comprehensively assessing companies' approach to managing climate-related risks. This conviction is naturally integrated in our voting policy and has impacts on how we approach:

- Climate risk oversight at board level,
- Remuneration plans,
- Audits, financial and non-financial reporting,
- Mergers, sales, splits and acquisitions,
- Say-on-climate votes, and
- Shareholder resolutions.

In addition, when the outcome of an engagement falls below our expectations, we consider potential escalation measures, which can include AGM statements or AGM questions, but also resolution co-filing or pre-announcement of voting intention.

The transition will be just, or won't be.

We address the issue of just transition in our engagement activities via individual dialogues (e.g. our 2019-20 campaign on the European utilities sector), via our vote on Say-on-climate resolutions - just transition being part of the assessment criteria - but also via various investor statements addressed to corporates and sovereigns.

Sovereigns' policies and strategies are of fundamental importance in the just transition to low-carbon economies. Corporates won't succeed in their transition if governments don't support them as well as the most vulnerable people and economies. So far, our engagement with states has essentially been through investors' statements such as the Global Investor statement on Climate (now Investor Agenda Statement) which we co-signed in 2017. More recently, initiatives such as the Investors Policy Dialogue on Deforestation (IPDD) Initiative, which we have supported since 2020, have shown it is possible to engage more actively with states. Candriam is ready to take part in more initiatives of this kind.

Finally, our stakeholders expect us to transparently report on our engagement activities and their outcomes. Therefore, we regularly report on both our dialogue and voting activities, and disclose our votes on an on-going basis (VDS Dashboard).

3.1.4. Reporting on the climate impacts of our portfolio in a comprehensive and transparent manner

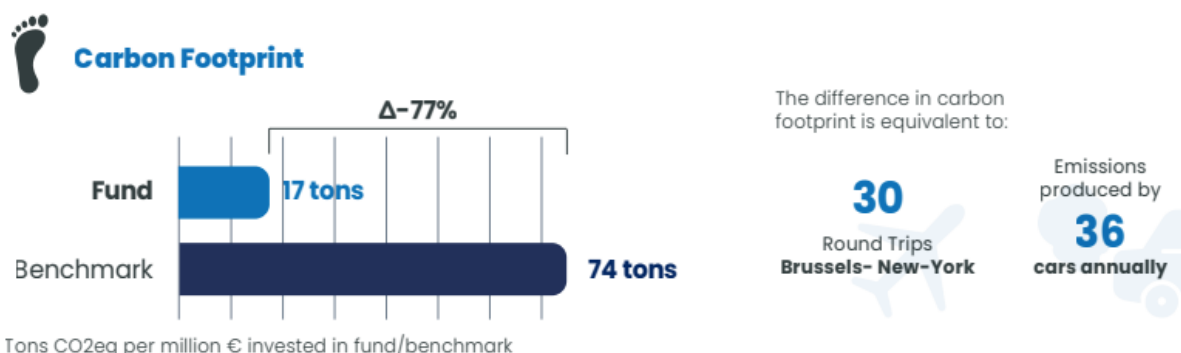
We have been disclosing carbon emissions of all our sustainable strategies (at the exception our sovereign bond strategies due to methodological constraints) since 2018, with the overarching ambition to reduce these strategies' footprint year-on-year. Candriam defined specific indicators to assess the companies' performance towards climate change mitigation and adaptation, both at the operational level and at the investment level. We publish scope 1 and 2 emissions for several investment funds as well as dedicated climate change-related indicators for dedicated institutional mandates. Depending on the strategy, the following metrics are disclosed at the fund level⁴:

- Carbon footprint
- Carbon intensity
- Weighted Average Carbon Intensity (WACI)
- Temperature alignment
- Green activities exposure
- Fossil fuel exposure
- Exposure to carbon-related assets in the power generation sector
- Renewable energy production

The quality and transparency of our climate performance will be further improved by progressively integrating scope 3 emissions and aligning our measure of green share with the EU Environmental Taxonomy. Furthermore, we constantly improve our reports for enhanced transparency. We have worked very hard with our data providers to improve coverage rates, in particular for more challenging asset classes such as high yield or emerging markets. Also, we aim to go a step further in transparency by providing investors with clearer impact indicators as well as their real-life implications, as illustrated below:

⁴ More details in our SFDR webpage: [sfdr-esg-impact-indicators-definitions_en.pdf \(candriam.com\)](https://www.candriam.com/sfdr-esg-impact-indicators-definitions_en.pdf)

Example: Reporting on the carbon footprint of a fund



Source: Candriam

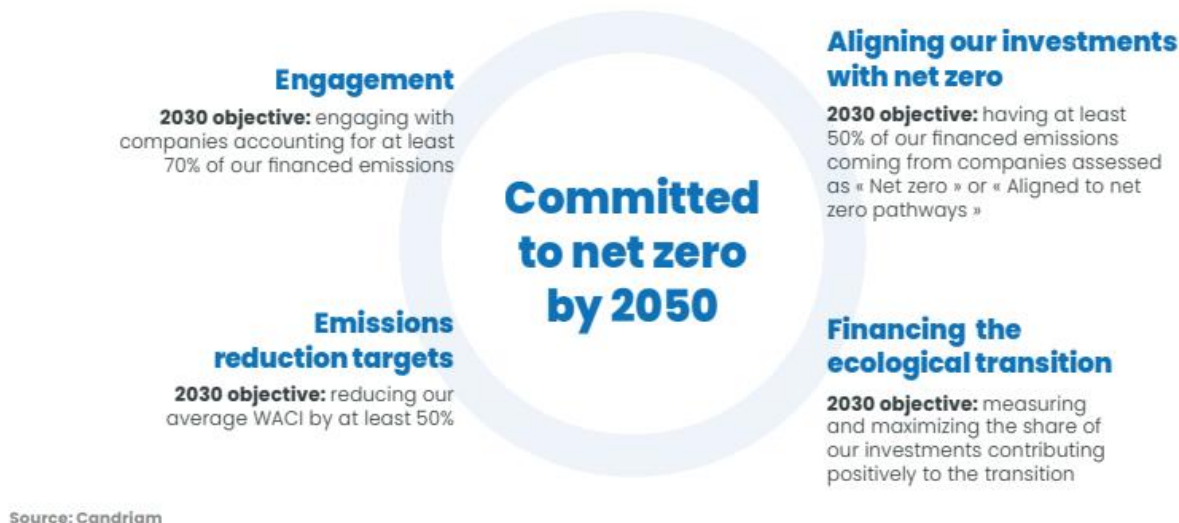
3.2. Our net zero strategy: changing gear in our climate commitment

2021 was a landmark year for our climate strategy as we set the objective of becoming net zero across our activities by 2050, in line with the Paris goals. We joined the Net Zero Asset Manager Initiative (NZAMI) in November 2021. The NZAMI brings together asset managers (301 as of 31 December 2022⁵) committed to supporting the goal of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 °C.

As part of this commitment, we have enhanced our current climate approach and we are setting new climate objectives.

We have defined the initial perimeter of our Net Zero commitment, taking into account both the level of influence – i.e. company ownership - and the ESG positioning of our strategies. Our initial net zero perimeter accounts for 60.5% of our Candriam-branded SFDR Article 8 & 9 open-ended funds. It accounts for 17% of our total AuM, our aim being to progressively extend it to 100% by 2050.

Embedding Net Zero at the Core of Our Sustainable Investment Strategy



⁵ 301 signatories as of 31 December 2022, representing USD 59 trillion in assets under management. Source: The Net Zero Asset Managers initiative – An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions, <https://www.netzeroassetmanagers.org/>

3.2.1. Active engagement

Engagement is central to our net zero commitment as it further enhances issuers' assessment on climate and influences these investees towards a more systematic integration of climate risk and opportunities into their strategic decisions. It is one of the most powerful ways to create real-world outcomes. We identify targets and set priorities for our climate engagement taking into account 3 factors:

- Issuers presenting a weak transition profile (proprietary risk transition model), and/or still highly carbon intensive (Scope 1-2) or with large Scope 3 emissions,
- Issuers in high stake sectors largely exposed to fossil fuels,
- Relative exposure of our managed portfolios to the above issuers.

We have set the objective of engaging directly or collaboratively with issuers accounting for at least 70% of our financed emissions by 2030. We are initially focusing on the 40 largest contributors to our carbon intensity, with the aim to reach 100 companies by 2030. We will report annually on our progress and engagement outcomes.

Our objective is to encourage companies to publicly report on how they align with a 1.5 °C trajectory, and to support such an alignment. Beyond any net zero commitment and Scope 1-2-3 absolute emissions disclosure, we will encourage them to provide insights on how their short / medium-term targets are aligned with a scientifically recognized 1.5°C trajectory. In particular, we expect issuers to explain how their strategy and capital expenditures plan serve their decarbonization commitment. For every identified engagement target, we set a timed action plan with precise objectives. In order to measure progress and outcomes, we have developed a framework that mirrors the NZIF (Net Zero Investment Framework) alignment maturity scale. Our engagement approach may differ depending on the target, the context, our history of dialogue as well as our leverage. In most cases we combine direct and collaborative engagement, and we only consider escalation measures when engagements outcomes fall short of our initial expectations. Such measures are taken in full collaboration with our fund managers. Our voting policy is a natural continuation of our engagement policy. We systematically analyse any climate resolution as well as a potential sanction vote against directors or auditors. We want our votes to reflect our opinion on the way companies answer the main climate challenges.

Criteria to assess the Paris-alignment of companies

<p>Higher impact companies: criteria 1-6</p>	<p>1. Ambition: A long term 2050 goal consistent with achieving global net zero.</p>
	<p>2. Targets: Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3).</p>
	<p>3. Emissions performance: Current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets.</p>
	<p>4. Disclosure: Disclosure of scope 1, 2 and material scope 3 emissions.</p>
	<p>5. Decarbonisation Strategy: A quantified plan setting out the measures that will be deployed to deliver GHG targets, proportions of revenues that are green and where relevant increases in green revenues.</p>
	<p>6. Capital Allocation Alignment: A clear demonstration that the capital expenditures of the company are consistent with achieve net zero emissions by 2050.</p>
<p>Lower impact companies: criteria 2,3,4</p>	<p>7. Climate Policy Engagement: The company has a Paris-Agreement-aligned climate lobbying position and demonstrates alignment of its direct and indirect lobbying activities.</p>
	<p>8. Climate Governance: Clear oversight of net zero transition planning and executive remuneration linked to delivering targets and transition.</p>
	<p>9. Just Transition: The company considers the impacts from transitioning to a lower carbon business model on its workers and communities.</p>
	<p>10. Climate risk and accounts: The company provides disclosures on risks associated with the transition through TCFD Reporting and incorporates such risks into its financial accounts.</p>
<p>Additional criteria to be incorporated where feasible, as data availability</p>	

Source: IIGCC

Regarding sovereigns, engagement on climate is essential. We aim to protect our natural carbon sinks, and act to promote renewable alternatives to fossil fuels, supporting innovation and change in consumer patterns. We wish to participate in rethinking industrialization and trade to reduce the dependence on fossil fuels, as they are key to an effective energy transition. Besides, there won't be transition without a just transition, which means our climate engagement encompasses a social component, supporting the most exposed or fragile parts of the population, as well as more sustainable consumption patterns.

Engagement with financials is equally meaningful, because capital flows should be directed to projects that are aligned with the ambitions from the Paris Agreement.

3.2.2. Aligning our investments with net zero

Focusing only on reducing our carbon footprint is very likely to bring very little to the climate question. Why? Because this is likely to result in favouring sectors and activities with the lowest carbon footprint, i.e. generally the sectors that do not contribute to the transition. Therefore, it is absolutely crucial to focus on investing in high-stake companies that are contributing positively or transforming their businesses to credibly align with the net zero goals.

This requires a systematic assessment of how companies are approaching the climate transition, especially those that are key to the transition. We are developing proprietary sector-specific net zero alignment frameworks that will help us position companies on a net zero alignment maturity scale. This is the same assessment that helps target our climate engagement efforts and guides our climate voting policy.

Proprietary net-zero alignment framework

Ambition	Long-term 2050 goal consistent with achieving net zero	<i>Has the company set a relevant net zero objective?</i>
Targets	Short- and medium-term emissions reduction target (scope 1, 2 and material scope 3)	<i>Has the company set 2030 emission reduction objectives in both relative and absolute terms on its full relevant scope of emissions?</i>
Emissions performance	Current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets	<i>What are the company's current emission levels and how do they compare with the decarbonization pathway of its relevant sector, and with peers?</i>
Disclosure	Disclosure of scope 1, 2 and material scope 3 emissions	<i>Does the company disclose its full scope of emissions? What is the quality and comprehensiveness of the scope 3 emission disclosure?</i>
Decarbonization strategy	Quantified plan setting out the measures that will be deployed to deliver GHG targets	<i>What are the quality and credibility of the company's decarbonization plan? Is the plan sufficiently transparent on the nature and contribution of its decarbonization levers?</i>
Capital allocation alignment	Clear demonstration that the company's capital expenditures are consistent with achieving net zero emissions by 2050	<i>Does the company provide sufficient disclosure on its capital allocation plans? Are investment plans aligned with the decarbonization strategy and a 1.5 °C degree trajectory?</i>
Climate policy engagement	Assessing the climate lobbying position and the alignment of direct and indirect lobbying activities	<i>Does the company provide sufficient disclosure on its climate lobbying efforts? Are these efforts aligned with the objectives of the Paris Agreement?</i>
Climate governance	Oversight of net zero transition planning, and executive remuneration linked to delivering targets and transition	<i>Has the company set relevant governance of its climate strategy with top-level ownership? Are remuneration plans and other performance incentives aligned with climate objectives?</i>
Just transition	Consideration given to the impacts from transitioning to a lower carbon business model on workers and communities	<i>Does the company consider the impacts of the transition to low carbon activities on its stakeholders? What measures did the company take to minimize negative impacts on workers and local communities?</i>
Climate risk and accounts	Disclosures on risks associated with the transition through TCFD reporting and integration of climate risks into financial accounts	<i>Has the company integrated climate in its risk management systems and accounting practices? Does the company provide sufficient information to assess the resilience of its business and strategy to various climate scenarios, including Paris-aligned? Have climate considerations been part of the verification conducted by the auditors on the various risks and accounting matters?</i>

Source: Candriam based on IIGCC framework

All companies operating in high stake sectors will be analysed on this alignment maturity scale. This assessment will lead to categorizing companies into 5 categories:

Achieving net zero	Current emissions at/ close to 2050 net zero level + investment plan/business model in line with net zero
Aligned to net zero pathway	Companies that have set relevant objectives and implementation plans to align with net zero pathway
Aligning towards net zero pathway	Companies that have set relevant objectives, but not yet implementation plans to align with net zero pathway
Committed to aligning	Companies that have committed to net zero by 2050, but not set any relevant short and mid-term objectives and action plan
Not aligned /incompatible	Companies that have not committed to net zero and/or whose activities are incompatible with reaching net zero by 2050

This assessment will reinforce and grow our Paris-aligned investment strategies, inform our investment decisions, and guide our engagement efforts.

We have set the objectives to have at least 50% of our financed emissions coming from companies assessed as "net zero" or "aligned to a net zero pathway" by 2030. The remaining 50% will be our priority engagement targets. We will report annually on this progress.

3.2.3. Decarbonizing our portfolios

Beyond our participation in the NZAMI which commits us to being net zero by 2050, we have set the objective of reducing the carbon intensity (measured as weighted average carbon intensity) of our portfolios by 50% by 2030 on our net zero perimeter. The initial WACI of our net zero perimeter was 109t CO₂/m\$ of revenues in 2019. Our objective is to reach 54.5 t CO₂/m\$ revenues by 2030.

As of December 31, 2022, we have achieved a WACI of 78.09 t CO₂/m\$ revenues. This is a 27.3% reduction taking the same fund perimeter (AuM 2022) and a 17.4% reduction when not adjusting for AuM evolution.

Implementing our decarbonization commitment

We have selected 3 different methods in order to demonstrate the alignment of our investments with a Paris-aligned net zero target. These 3 methods allow to adapt for the variety of our investments strategies (sector-diversified, thematic, quant...) and their climate positioning:

- **Emission intensity reduction:** reducing the portfolio's weighted average carbon intensity (WACI) by 50% between 2019 and 2030. We refer to an absolute contraction of the WACI of the portfolio itself, not benchmark relative, or taking a benchmark trajectory as a reference. As many of the funds in our Net Zero perimeter are already well-decarbonized, taking a benchmark-based approach would have watered down our decarbonization objectives and many funds would have had to do very little to be in line with net zero. We currently measure carbon intensity on the basis of Scope 1 and 2 emissions and are progressively integrating Scope 3. Scope 3 emissions measurement will be systematically included in our investment systems and reporting by 2023. We plan on integrating scope 3 emissions in our climate objectives by 2024.
- **Temperature alignment:** decreasing portfolio temperature to below 2 °C by 2030. We use temperature alignment metrics that incorporate present and forward-looking climate performance and objectives. Temperature metric goes beyond reference frameworks such as SBTi as it considers not only the objectives but also the company's ability to achieve them, looking at climate governance, strategic planning and capital allocation.
- **EU climate benchmark:** decreasing the portfolio weighted average carbon intensity (WACI) to below the level of the fund's relevant Paris-aligned benchmark (PAB) Funds that already have a weighted carbon intensity below the WACI of their relevant Paris-aligned benchmark are considered as being already aligned on a net zero trajectory.

We will report annually on the progress made in achieving our 50% emissions intensity reduction objectives, isolating external factors when necessary in order to fully reflect our decarbonization performance.

3.2.4. Promoting green finance and financing the ecological transition

In line with our net zero strategy, Candriam is committed to promoting green finance and to financing the ecological transition. We actively pursue these objectives through several avenues:

Climate-focused investment strategies

Candriam manages a range of thematic, environmental strategies directly focused on climate-related matters. These include for example our Climate Action, Circular Economy, and Future Mobility strategies, which seek to identify and invest in innovative solutions to climate-related problems, including technologies supporting climate change mitigation and adaptation today and in the future. We continuously work to expand our climate-focused investment offering, seeking opportunities to materially contribute to climate solutions across asset classes.

Commitment to green bonds

Candriam has also developed strategies investing in green bonds and built the relevant expertise both in the ESG analysis and in the financial analysis of such instruments. Our objective with these investments is to finance green activities that make significant positive contributions to the ecological transition. For several fixed income strategies, we have set concrete key performance indicators (KPIs) in the form of minimum allocations to green bonds. Such KPIs are applied in a number of global and euro, corporate and sovereign bond strategies, exemplifying our commitment to financing the ecological transition.

Measurement and reporting of contributions to greening the economy

It is our conviction that thoroughly tracking and understanding our investments' contributions to climate-related matters is essential. Accordingly, Candriam allocates significant resources to the measurement and reporting of its investments' contributions to climate-related matters. We have implemented various indicators, for example avoided CO2 emissions and green share, to track progression on climate objectives and assess the share of our investments contributing positively to the transition. Further, we have integrated regulatory reporting guidelines, such as the Sustainable Finance Disclosure Regulation and its references to the EU Taxonomy. It is our aim to propose clear, transparent and easy-to-understand reporting and we pay particular attention to the quality and materiality of data used to calculate each indicator.

Promoting green finance beyond our investments

We believe that our role in promoting green finance extends beyond our investment activities. Accordingly, our ESG Investments & Research Department conducts and publishes expert research on the ecological transition and organizes events, such as roundtables and conferences, allowing investors to gain better insight into the role that finance plays in facilitating this transition. Moreover, Candriam has developed several partnerships with renowned academic institutions to foster research on environmental matters and offers a public, free training program on sustainable investing, which includes reference material on climate-related matters.

3.3. Company's own operations

The organization seeks to reduce or compensate the impact on climate change arising from its own operations, the so-called Scope 1 & 2 emissions, as well as Scope 3 emissions emitted by suppliers (so-called upstream Scope 3 emissions). The Executive Committee is in charge of the regular review of the company's operations and will seek to make recommendations to the Group Strategic Committee aimed at improving Candriam's own carbon efficiency. In doing so, the Executive Committee, supported by Candriam's business lines, will review industry best-practices, opportunities arising from technological change, and Candriam's evolving geographic footprint.

Candriam has set a greenhouse gas emissions reduction goal for their operational activity's emissions (scope 1, 2 and business travel) of 30% in 2025 over a 2019 baseline. In the meantime, this scope of emissions is compensated through investments in concrete environmental projects. Besides neutralizing Scope 1&2 and business travel emissions, Candriam seeks to constantly optimize its operations in order to reduce GHG emissions from office heating and ventilation, paper consumption, business travel and other aspects of its day-to-day operations⁶.

4. Risk management

A company's activities can be exposed to two forms of climate change related risks: transition risk and physical risk. For an asset management company like Candriam these two types of risks can be assessed at company level, and within investment portfolio.

Regarding Candriam's own operations, exposure to transition risk translates into stricter regulation around the impact of the organization's activities on climate change. Anticipating and responding to these risks falls under the remit of the CSR Committee, supported by Candriam's ESG analysts. Physical risk can translate into disruptions to Candriam's operation due to the impact of physical or

⁶ More details in our CSR report disclosed on our website www.candriam.com

meteorological events made more likely by climate change. Candriam has put contingency plans in place, contained within the company's Business Continuity Procedures, to ensure that physical risk related events do not prevent the company from operating.

The bulk of Candriam's risk exposure to climate change arises from the capital the organization allocates, as part of its day-to-day operations, to various companies and sovereign states globally. Each company whose securities Candriam holds can run a more or less severe risk of material financial impact caused by its exposure to climate change related transition and physical risks. In this regards, the tools described in the Strategy section about Transition Risk, Temperature metric and GHG emissions objectives are key levies in order to measure and monitor climate risks linked to our investment.

It is the role of Candriam's ESG Investment & Research Team, Risk Management Team, and Portfolio Management Teams, to identify those risks, assess the likelihood of them materializing, their potential financial impact on the underlying securities. The Sustainability Risk Committee set up in 2020 and reporting directly to the GSC is specifically tasked with identifying, assessing, and monitoring climate change related (and other ESG) risks in order to take appropriate decision.

5. Metrics and targets

Candriam has defined specific indicators in order to assess the company's performance towards climate change mitigation and adaption, both at the operational level and at the investment level. These metrics are then translated into regular reporting Candriam publishes through its Corporate Social Responsibility report or through periodic disclosures relating to investment fund performance.

At the company level, Candriam publishes annually its Scope 1, 2, and 3 upstream Greenhouse Gases emissions for the previous calendar year. The goal of the organization is to ensure year-on-year reduction of carbon intensity from its operations, whilst accounting for fluctuations in underlying assets under management.

At the investment level, Candriam publishes the Scope 1 and 2 emissions for a number of investment funds as well as dedicated climate change related indicators for dedicated institutional mandates. Depending on the strategy, the following metrics are disclosed at the fund level⁷:

- Carbon footprint
- Carbon intensity
- Weighted Average Carbon Intensity (WACI)
- Temperature alignment
- Green activities exposure
- Fossil fuel exposure
- Exposure to carbon-related assets in the power generation sector
- Renewable energy production

Scope 3 emissions has been integrated in reporting from 2023 onward.

Candriam has set itself as target to achieve a significant level of reduction in Greenhouse Gases emissions across its Candriam SRI SICAV investment vehicles. The company is also strongly advocating climate change related solutions to clients through low carbon investment strategies, fossil free strategies, and quantitative approaches aimed at delivering comparable performance at a lower carbon intensity than regular market indices. Beyond the measurement of Greenhouse Gases emissions, Candriam also provides data on related indicators, such as the energy mix of power generation companies held in portfolio.

⁷ More details in our SFDR webpage: [sfdr-esg-impact-indicators-definitions_en.pdf \(candriam.com\)](https://www.candriam.com/sfdr-esg-impact-indicators-definitions_en.pdf)

. As part of its commitment to NZAMI, Candriam published in April 2023 a new climate strategy that is structured around 4 pillars and set new 2030 objectives:

- Engage: we have set the objective to engage with companies accounting for at least 70% of our financed emissions by 2030.
- Aligning our investment with net zero: we have set the objective of having at least 50% of our financed emissions coming from companies assessed as “Net Zero” or “Aligned to net zero pathways” by 2030.
- Emissions Reduction targets: we have set the objective of reducing our average WACI by at least 50% by 2030.
- Financing the ecological transition: measuring and maximizing the share of our investments contributing positively to the transition by 2030.

The implementation of our net zero strategy is a company-wide commitment involving all teams at Candriam, including ESG, Fund Management, Risk, Data, Reporting, that are all contributing to the development of the necessary tools and monitoring process. The monitoring of progress is done very regularly to the Sustainability Risk Committee and at least once a year to the Group Strategic Committee.