

# 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 principles for Discretionary Portfolio Mandates and dedicated funds<sup>1</sup>

All financial products managed and promoted by Candriam, including discretionary portfolio mandates and dedicated funds:

- Sustainability risks are taken into account in investment decisions or investment advice provided by Candriam. Sustainability Risk Management Policy can be found [here](#)
- Investment strategies integrate engagement and proxy voting in compliance with Candriam policies. You can find these policies on Candriam's website under the following link:
- Candriam makes company-wide exclusions (such as for example controversial weapons, tobacco, thermal coal). More information can be found in Candriam's Exclusion Policy.

Further details on the calculation methodology for ESG and impact indicators, including data sources, formulas, and potential limitations of calculations can be found in the ESG and Impact Indicators – Definitions and Methodology document.

## B. Methodologies used to assess sustainable investment objectives of article 9 products, including Article 9 discretionary portfolio mandates and dedicated funds

Depending on the discretionary portfolio mandate or dedicated fund, Candriam applies different methodologies. Please refer to the table at the end of this document for an overview of the principles and methodologies generally applied by type of strategy. A description of the different methodologies is provided below. Since customised solutions are set up to meet specific client's needs, exceptions exist.

### I. Corporate issuers

#### Positive selection

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

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<sup>1</sup> As tailor-made solutions are set up to meet specific client's needs, exceptions exist.

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, digitalisation and demographic evolution.
- **Stakeholder analysis:** evaluation of how companies manage material stakeholder issues including those involving employees, clients, society, environment, suppliers and investors.

## **ESG integration**

Candriam article 9 products covered by this disclosure integrate ESG information and analysis into investment decisions through the Business Activities and Stakeholder analysis 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](#).

## **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, depending on the terms of the discretionary portfolio mandate or dedicated fund.

### **Sustainable investment objectives<sup>2</sup>**

**Carbon emissions** - the volume of the carbon emissions of the portfolio is inferior to the carbon emissions of the benchmark of the discretionary portfolio mandate or dedicated fund if it exists

**Long Term ESG Quality** - the ESG Score<sup>3</sup> of the portfolio is superior to the ESG Score of the benchmark of the discretionary portfolio mandate or dedicated fund if it exists

## **II. Countries / Supranational issuers**

### **Positive Selection**

Candriam's proprietary 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

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<sup>2</sup> Specific indicators could be requested by client.

<sup>3</sup> ESG score is calculated on corporate exposure (Equity and corporate bonds). ESG score is the result of Candriam's proprietary internal ESG analysis.

- 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](#).

### **Sustainable investment objectives**

**Freedom House Index** - the proportion of countries classified as free in the portfolio is superior to the proportion of countries classified as free in the benchmark of the discretionary portfolio mandate or dedicated fund if it exists

**Environmental Performance Index** - the volume of the carbon emissions of the portfolio is inferior to the carbon emissions of the benchmark of the discretionary portfolio mandate or dedicated fund if it exists

**Long Term ESG Quality** - the ESG Score of the portfolio is superior to the ESG Score of the benchmark of the discretionary portfolio mandate or dedicated fund if it exists

### **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](#).

## **IV. Assessment of sustainable investment objectives for Article 9 discretionary portfolio mandates and dedicated funds**

Article 9 discretionary portfolio mandates and dedicated funds 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
- 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.

## **V. Data sources and processing for sustainable investment objectives**

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.

## C. Methodologies used to assess the E&S characteristics article 8 products, including Article 8 discretionary portfolio mandates and dedicated funds

Depending on the discretionary portfolio mandate or dedicated fund, Candriam applies different methodologies. Please refer to the table at the end of this document for an overview the principles and methodologies generally applied by type of strategy. A description of the different methodologies is provided below. Since customised solutions are set up to meet specific client's needs, exceptions exist.

### I. Corporate issuers

#### Positive selection

Positive selection aims to create a portfolio-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, digitalisation and demographic evolution.
- **Stakeholder analysis:** evaluation of how companies manage material stakeholder issues including those involving employees, clients, society, environment, suppliers and investors.

#### 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](#).

#### 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.

The application of the Red Flag and Out List analysis depends on the discretionary portfolio mandate or dedicated fund.

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 to article 8 discretionary portfolio mandates and dedicated funds, please refer to the table at the end of this document.

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

## II. Countries / Supranational issuers

### Positive Selection

Candriam's proprietary 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 ESG factors used in this 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](#).

### **IV. Environmental & Social characteristics for article 8 products**

Article 8 products, including discretionary portfolio mandates and dedicated funds, 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 portfolio is assessed through internally developed ESG scores which are measured against the 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.

### **V. 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.

## **D. Article 6 products<sup>4</sup>, including Article 6 discretionary portfolio mandates and dedicated funds**

These products do not integrate ESG characteristics.<sup>4</sup>

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<sup>4</sup> Article 6 of SFDR applies to all financial products, including those that are not classified as article 8 or article 9 products.

### Important Information

This table represents the general principles Candriam applies for the SFDR product classification (article 6, 8 or 9) for Discretionary Portfolio Mandates. Since customised solutions are set up to meet specific client's needs, exceptions exist.

Sustainability risks are taken into account in investment decisions or investment advices provided by Candriam

Specific indicators could be requested by client.  
For external funds please refer to the management company website.

Asset Class Level 1	Management type	Asset class Level 2 / Inv Process	Underlying	Strategy	Engagement	Proxy voting	Controversial activities	Norm based	Integration	Selectivity	SFDR classification		
Fixed Income	Passive and smart Beta	Developed Sovereign	Direct lines	Strategy without ESG		N.A.					Article 6		
			Funds	Strategy with ESG Integration		N.A.		●			Article 8		
		Corporate Emerging debt	Direct lines	Strategy without ESG		N.A.		●			Article 6		
			Funds	Strategy with ESG Integration		N.A.		●			Article 8		
	Active	Sovereign Developed	Direct lines	Strategy without ESG		N.A.						Article 6	
			Funds	Strategy with ESG Integration		N.A.			●			Article 8	
			Direct lines	Strategy without ESG		N.A.		●				Article 6	
			Funds	Strategy with ESG Integration		N.A.		●		●		Article 8	
		Corporate IG Developed	Direct lines	Strategy without ESG		N.A.		●					Article 6
			Funds	Strategy with ESG Integration		N.A.		●		●			Article 8
			Direct lines	Sustainable		N.A.		●●●●●●●●		●		Partly ●	Article 8
			Funds	Sustainable		N.A.		●●●●●●●●		●		●	Article 9
		High Yield	Direct lines	Strategy without ESG		N.A.		●					Article 6
			Funds	Strategy with ESG Integration		N.A.		●		●			Article 8
			Direct lines	Sustainable		N.A.		●●●		●		Partly ●	Article 8
			Funds	Sustainable		N.A.		●●●		●		●	Article 9
	Sovereign Emerging debt	Direct lines	Strategy without ESG		N.A.		●					Article 6	
		Funds	Strategy with ESG Integration		N.A.		●		●			Article 8	
		Direct lines	Sustainable		N.A.		●●●		●			Article 6	
		Funds	Sustainable		N.A.		●●●		●		●	Article 9	
Corporate Emerging debt	Direct lines	Strategy without ESG		N.A.		●					Article 6		
	Funds	Strategy with ESG Integration		N.A.		●		●			Article 8		
	Direct Lines	Strategy without ESG		N.A.		●		●			Article 6		
	Funds	Strategy with ESG Integration		N.A.		●		●			Article 8		
Total Return	Direct Lines	Strategy without ESG		N.A.		●					Article 6		
	Funds	Strategy with ESG Integration		N.A.		●		●			Article 8		
Convertibles	Funds	Strategy with ESG Integration		N.A.		●/●●●●●		Partly ●	Partly ●		Article 8		
Equities	Passive and Smart Beta	Europe	Direct Lines	Strategy without ESG		On demand	●				Article 6		
			Funds	Sustainable		On demand	●/●●●●●		●	Partly ●	Partly ●	Article 8	
		US	Direct Lines	Strategy without ESG		On demand		●				Article 6	
			Funds	Strategy with ESG Integration		On demand	●/●●●●●		●	Partly ●	Partly ●	Article 8	
		Pacific	Direct Lines	Strategy without ESG		On demand		●				Article 6	
			Funds	Strategy with ESG Integration		On demand	●/●●●●●		●	Partly ●	Partly ●	Article 8	
	Active	Europe	Direct Lines	Strategy without ESG		On demand	●/●●●●●		●			Article 6	
			Funds	Strategy with ESG Integration		On demand	●/●●●●●		●	●		Article 8	
			Direct Lines	Sustainable		On demand	●●●●●●●●		●		●	Article 9	
			Funds	Sustainable		On demand	●●●●●●●●		●	●		Article 9	
		US	Direct Lines	Strategy without ESG		On demand		●					Article 6
			Funds	Strategy with ESG Integration		On demand	●/●●●●●		●	●		Article 8	
			Direct Lines	Sustainable		On demand	●●●●●●●●		●		●	Article 9	
			Funds	Sustainable		On demand	●●●●●●●●		●	●		Article 9	
		Pacific	Direct Lines	Strategy without ESG		On demand		●					Article 6
			Funds	Strategy with ESG Integration		On demand	●/●●●●●		●	●		Article 8	
			Direct Lines	Sustainable		On demand	●●●●●●●●		●		●	Article 9	
			Funds	Sustainable		On demand	●●●●●●●●		●	●		Article 9	
		Emerging	Direct Lines	Strategy with ESG Integration		On demand		●					Article 8
			Funds	Strategy with ESG Integration		On demand		●		●		Partly ●	Article 9
World AC (demo)	Direct Lines	Strategy with ESG Integration		On demand		●		●		Article 8			
Real Estate	Direct Lines	Strategy without ESG		On demand		●				Article 6			
Small Caps	Direct Lines	Strategy with ESG Integration		On demand		●		●			Article 8		
	Funds	Strategy with ESG Integration		On demand		●		●		●	Article 8		
Others	Active	Absolute return	Funds				●				Mainly Article 6		
	Active	Illiquid	Funds								Article 6, 8 or 9 (depending on the strategy)		

Proxy voting and engagement for Candriam funds only in line with Candriam policy (excluding Absolute return funds). Proxy voting for direct lines can be done if so agreed.

●	Candriam's company-wide exclusions
●●	Candriam's company-wide exclusions + Extended Exclusion
●●●	Candriam's company-wide exclusions + SRI exclusions
●●●●	Candriam's company-wide exclusions + SRI exclusions + Fossil free thematic
●●●●●	Tailor Made approach

Article 9 portfolios have at least 2 objectives :  
1/ Carbon emissions (Carbon emission portfolio < Carbon emission Benchmark)  
2/ Long Term ESG Company Quality (ESG Score portfolio > ESG Score Benchmark)

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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Candriam consistently recommends investors to consult via our website [www.candriam.com](http://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.

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