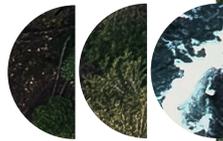


Candriam Sustainable Investment Policy



APRIL 2021

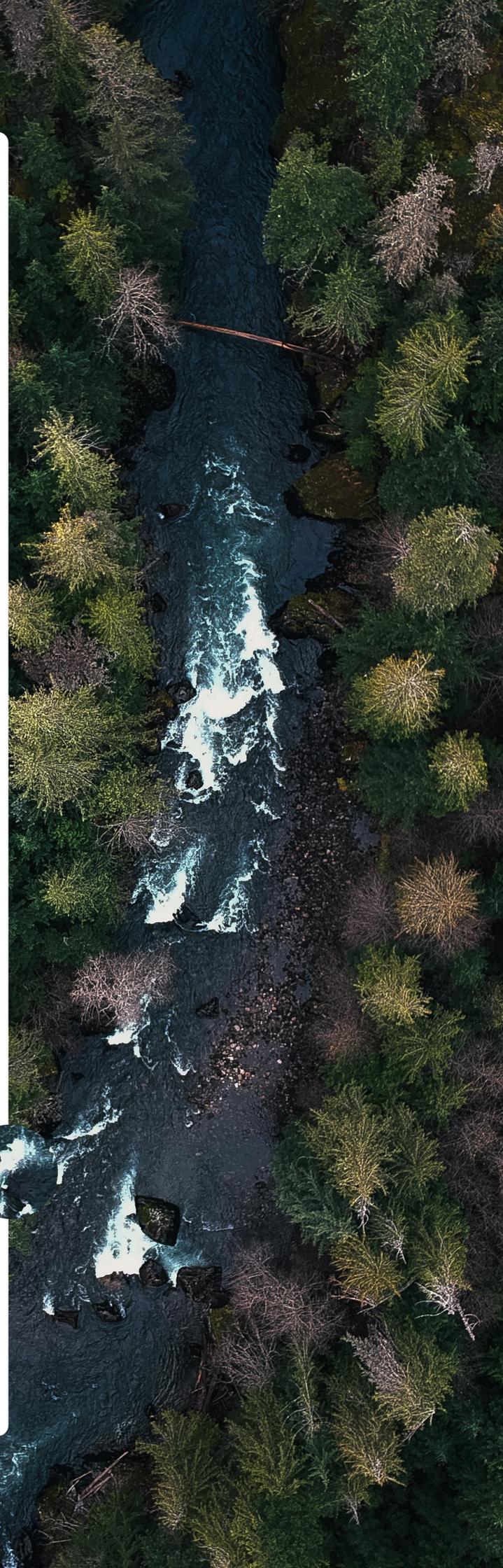


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Candriam - Candriam Sustainable Investment Policy.

Sustainability is rooted in Candriam's operating model and forms a key part of our corporate culture. Candriam's sustainable development strategy leads us to incorporate sustainability trends shaping the world of tomorrow within the process of defining our firm's strategic orientations. Our philosophy is to establish and maintain a balance between responsible behaviour towards all stakeholders and the pursuit of sustainable financial performance.

Candriam has been managing sustainable investments since 1996. As a responsible asset manager we are committed to the continuous development of its long-standing and holistic Environmental, Social, and Governance (ESG) philosophy and methodology, and to the ongoing expansion of our range of sustainable investment products.

As a sustainable asset manager, Candriam recognizes the importance of taking into account sustainability risks and opportunities in the portfolios we manage and to carefully consider sustainability impacts.

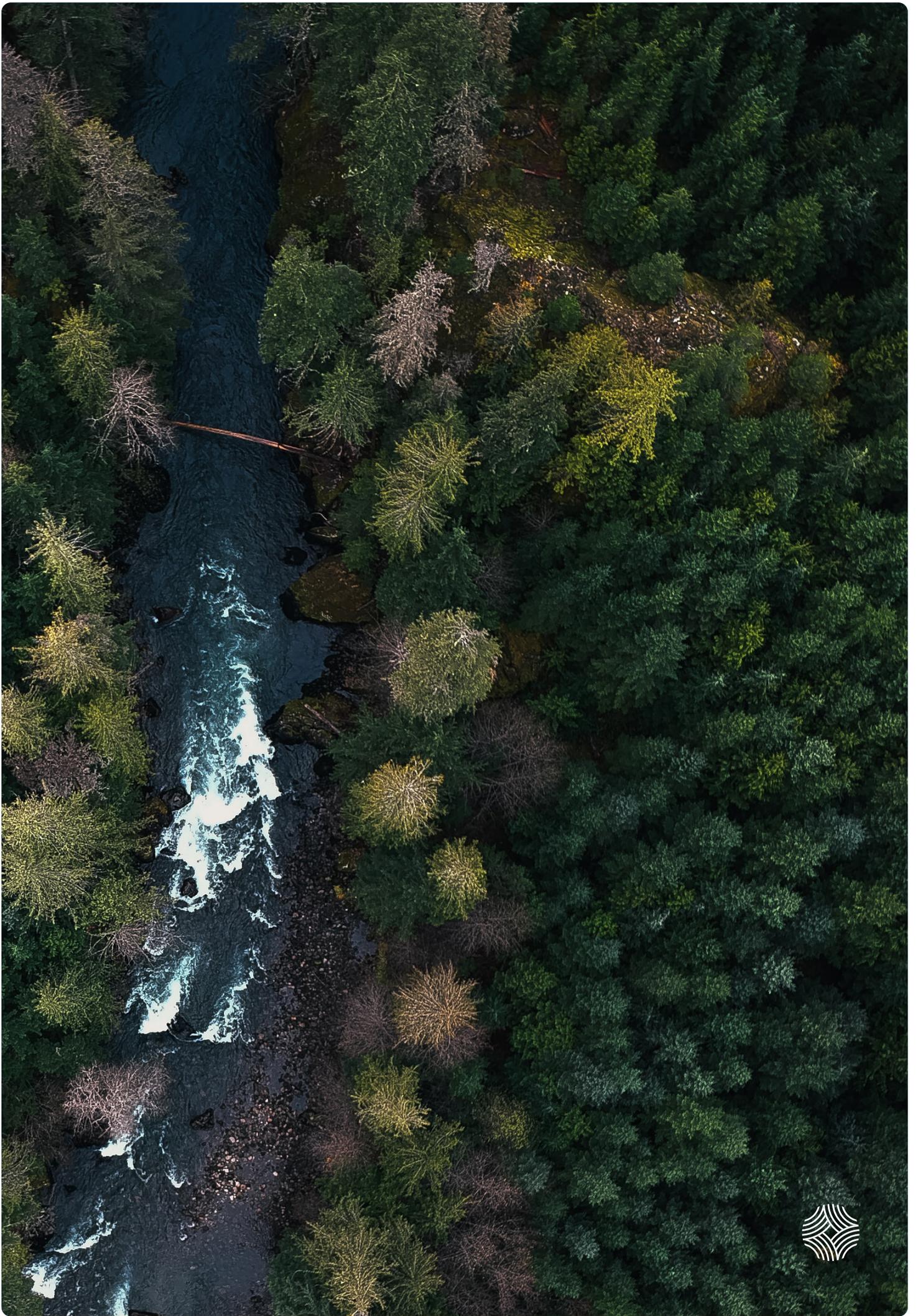
This document describes the sustainability approach Candriam implements across our investment products. Other dimensions of Candriam's integration of sustainability considerations are described in detail in the following documents:

- **Sustainability Risk Policy**
- **Exclusion Policy**
- **SRI Transparency Codes (product specific) Engagement Policy**
- **Voting Policy**
- **Climate Policy**
- **Integration Policy**

This document aims to provide an overview of all these elements, highlighting the underlying philosophy and principles guiding these more detailed policies.

Sustainability as both a means and an end.

Candriam stands for Conviction AND Responsibility In Asset Management. At the heart of our actions resides the strong belief that sustainability should act as a means as well as an end to what we undertake as an investment management firm. For the past 25 years we have therefore endeavoured to unlock the potential of ESG research to deliver superior financial performance (the means), whilst at the same time helping to address some of the world's most acute sustainability challenges (the ends). Far from being antagonistic, our experience shows that both means and ends have actually been acting as mutually reinforcing dimensions -- the more our investment decisions have integrated ESG elements within securities analysis and portfolio construction, the more Candriam has been able to deliver sustainable outcomes to our stakeholders. Seen from the perspective of the end results, the more ambitious our sustainable goals have been, the further our investment managers have gone in making use of ESG considerations to fulfil these goals.



Using Candriam's influence towards sustainable objectives.

These principles are reflected in most of the policies guiding our actions. First, within our corporate stewardship. Our Engagement Policy states in its preamble that

"The Investment Stewardship concept calls on investors to use all means at their disposal to create:

- Long-term value for their clients and beneficiaries;
- Sustainable benefits for the economy, the environment and society."

Using Candriam's influence as a shareholder and, more broadly, as a recognised leader in sustainable investing, forms one of the cornerstones of our sustainable approach to investing.

As a means, our engagement activities enable us to gain a deeper and more thorough understanding on the Environmental, Social and Governance related performance of these companies. But beyond that, through both direct dialogs and those led through collaborative initiatives, we encourage companies to 'raise their game' on sustainability. Investee companies, just like investment managers, face the multifold challenges created by evolving regulations and by shifting customer expectations, and operate within a physical world that is impacted by the consequences of climate change and other environmental and social developments.

At the same time, engagement allows Candriam to deliver tangible sustainable outcomes. In particular, it may be that as a result of our dialog with a company, often along other investors pursuing the same objective, a company may commit to aligning its operations with a 2-degree warming scenario. To guide our initiatives we concentrate on three core topics:

To support the transition towards clean, sustainable energy

To promote fair working conditions for all To foster high standards of business ethics

Candriam regularly reports on these achievements on our website and through our **annual Stewardship report**.

Sustainability outcomes

- Improve company disclosure, enabling Candriam investment managers to make better investment decisions
- Encourage investee companies to incorporate material ESG considerations in everything they do

Sustainability outcomes

- Increase contribution of investee companies to the achievement of the UN SDGs
- Foster alignment of investee companies with the Paris Agreement

Avoiding harmful activities whilst supporting sustainable ones.

As investors, we allocate client capital to a broad range of companies located around the world and across sectors. The understanding of the harmful impacts caused by products and services of some of these companies on the environment, our health, human rights, and other social objectives has evolved over time, as science and collective experience have evolved.

Candriam's Exclusion Policy aims to define the firm's view towards these activities. This policy forms part of Candriam's broader sustainable investment philosophy. First it avoids exposing our investments to specific downside and reputational risks related to these activities (the means). At the same time, it allows Candriam to achieve a positive sustainable outcome (the end) by depriving these activities from potential funding sources and, over time, it contributes to their rising cost of capital.

The Exclusion Policy is structured around a three- tier system:

- **Company-wide Exclusion Policy**
- **Extended Exclusion Policy**
- **Activities with no exclusion, but a Prudential Policy**

The company-wide exclusions concern harmful activities that we believe present a negative profile from both a financial perspective and a sustainability perspective. The downside of investing in these activities present systemic and reputational risks which cannot be compensated for through any financial considerations. Candriam excludes such activities from all directly-managed portfolios and encourages third parties to do the same. In addition to their negative financial profiles, these activities are also amongst the most harmful from a social or environmental perspective.

Other activities, whilst not universally controversial, are considered too risky for any investment that is marketed to sustainability-oriented investors. Candriam's Extended Exclusion Policy defines a list of such activities as well as specific revenue thresholds, beyond which firms involved in these activities will be excluded from sustainable portfolios.

Finally, a third group of activities are considered sensitive from a sustainability point of view, whilst not necessarily warranting a blanket exclusion. For these, Candriam defines specific eligibility criteria for companies to be eligible for Candriam portfolios.

Investment objectives

- Protect investment portfolios from systemic or reputational risks related to investment in controversial activities
- Reduce exposure to stranded assets, litigation risk, and further negative financial impact as a consequence of changes in regulation or social norms

Sustainability outcomes

- Deprive harmful activities of funding, leading to rising cost of capital
- Align capital allocation with ethical convictions of investors

Integrating ESG factors across all investment decisions.

Unleashing the full potential of sustainability factors for investment managers has been one of Candriam's main objectives since the 1996 launch of our first sustainable strategy. Over time, the quality and availability of ESG data have grown exponentially, although differences persist among regions, sectors, and E, S or G dimensions.

As stated in Candriam's ESG Integration Policy,

“

We consider that the explicit and systematic integration of Environmental, Social and Governance (ESG) issues is a necessary and integral part of every investment strategy across all asset classes.

Such integration serves both as the means to achieve superior risk-adjusted financial performance, as well as an end – that is, the goal of embedding sustainability considerations at the heart of our investment decision-making. Again quoting our ESG Integration Policy,

“

ESG integration is imperative as some of the sustainability challenges we face could test the resilience of financial and economic systems, whilst offering opportunities to foster innovation through our investments.

Candriam’s integration of ESG considerations within investment analysis and decision-making rests on asset class-specific materiality frameworks, defining which Environmental, Social and Governance related factors to consider for equity and fixed income asset classes. These frameworks are based on the tenet that to assess a company’s sustainability, investors need to analyse both the company’s business activities as well as the way it manages its key stakeholders. Company activities analysis aims to assess alignment of products and services with major sustainability challenges. Candriam has mapped our own internal sustainable goal framework with the main external frameworks, most importantly the UN Sustainable Development Goals (SDGs), the Paris Agreement goals, and the EU Taxonomy objectives of climate mitigation and adaptation.

Beyond the holistic integration of ESG parameters within investment decision-making, Candriam seeks to translate these efforts into tangible and measurable outcomes. This is reflected in the goals

set for all sub funds within the Candriam Sustainable SICAV, to achieve either a significant reduction in greenhouse gas emissions of investee companies compared to the benchmarks of the funds, or to seek an alignment with a below-2.5-degrees temperature warming pathway. Furthermore, all SFDR Article 8 and Article 9 investment products seek to invest in companies with a more positive sustainability profile than their peers, as measured by Candriam’s business activities and stakeholder impact scores. The quality of corporate governance and respect of UN Global Compact principles also form intrinsic parts of this sustainability review.

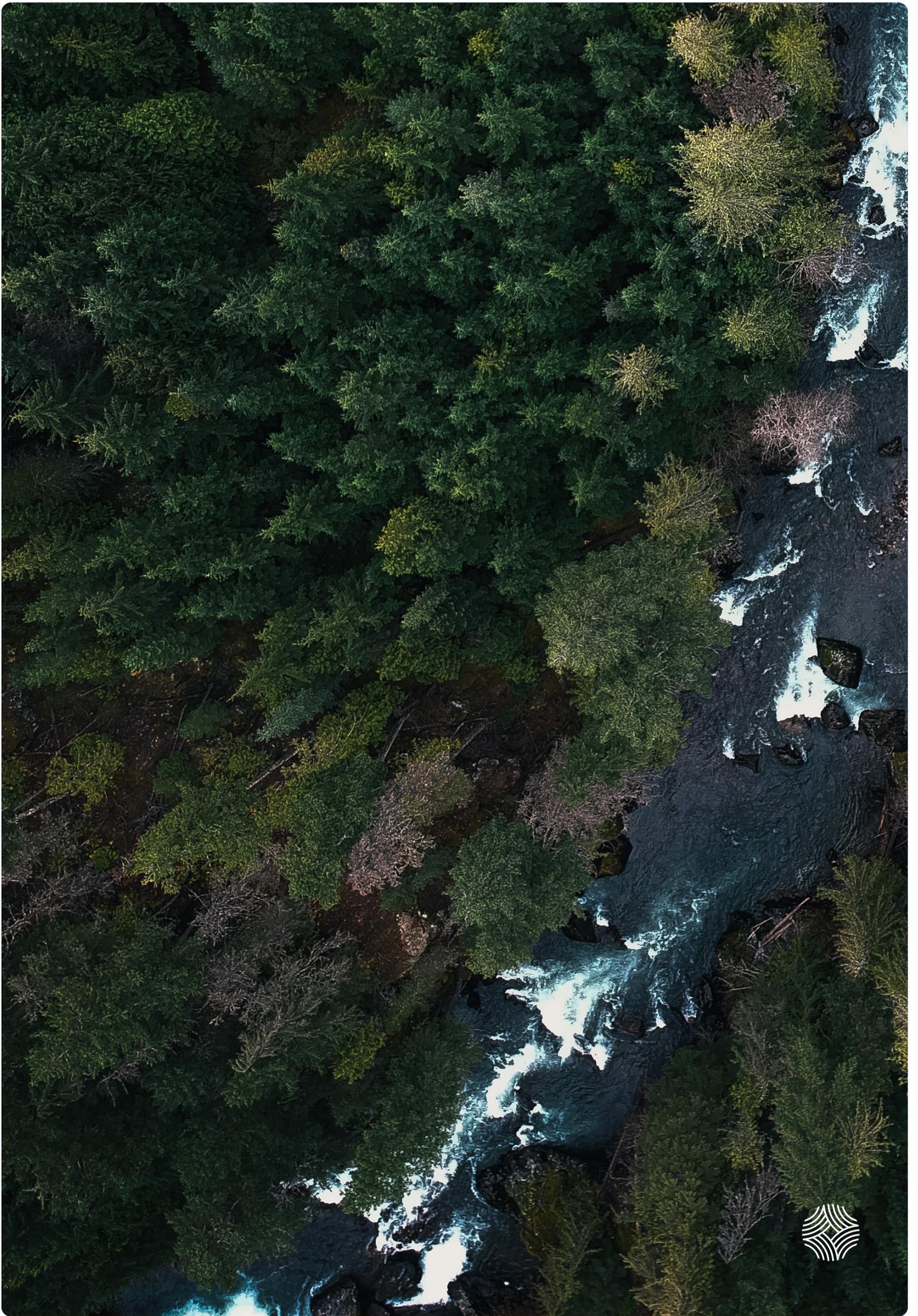
All Candriam Sustainable products provide information on their impact on climate change, ESG profile as well as other relevant metrics through regular fund factsheets, annual fund reports or dedicated impact reports.

Investment objectives

- To better assess risk/return profiles of investee companies and sovereign bond issuers by embedding material ESG factors within investment analysis
- Improve overall resilience of investment portfolios and reduce risk profiles by tilting investments towards sounder ESG profiles over time

Sustainability outcomes

- Ensure that sustainability-related considerations, such as working conditions, gender equality, and environmental impact, are promoted through investment decisions
- For certain investment products, provide a significant and measurable reduction of greenhouse gas emissions or aid in the achievement of specific UN SDGs



Addressing climate change.

Amongst the several sustainability objectives pursued by Candriam's investments, the mitigation of and adaptation to climate change deserve a special place. Indeed global warming presents our societies with an existential threat, jeopardizing our ability to sustain our current development level over the medium to long term if we continue on the current warming path.

Compared to those sustainability challenges for which some debate may still remain, the role of corporations in climate change mitigation and adaptation is clear. There is a robust body of scientific data which establishes the role of companies in CO₂ and other greenhouse gas emissions, and pathways for these companies to reduce emissions in a way compatible with a below-2-degrees global warming scenario. As an asset management firm Candriam has an important role to play in addressing climate change at two levels. First, we aim to reduce greenhouse gas emissions from our own corporate activities, such as office heating or travel, and to finance compensation projects with a result that carbon emissions reductions 'cover' the remainder of our own emissions.

Second, Candriam has developed a framework to integrate the impact on climate change within investment decisions and asset allocation across our portfolios. Candriam's Climate Policy defines how we articulate this dual aim in our activities as well as the governance to define, monitor and review Candriam's climate change strategy. This Climate Policy follows the recommendations from the TCFD (Task Force on Climate-related Financial Disclosures) in structuring our approach to integrating climate change at all levels of activity.

At the investment level, climate change represents one of the five global sustainability challenges on which we focus on as part of our analysis of company business activities. This analysis results in individual company scores integrating investee company impact, positive or negative, on climate change, based on a proprietary framework integrating the EU Taxonomy objectives as well other research data sourced by in-house ESG analysts. All investment managers within Candriam have access to these scores and are able to leverage that knowledge when making capital allocation decisions.

Further, investment managers have access to data concerning the greenhouse gas emissions of companies they hold in portfolios, as well as to the overall portfolio emissions data versus benchmark. This enables them to see in real time the impact of investment decisions on the carbon footprint of their investments and over time to work towards reducing that footprint.

This in-house research has led Candriam, based on scientific evidence, to define a company-wide investment exclusion policy targeting all thermal coal related company activities. In line with this part of Candriam's Exclusion Policy, we do not invest in companies involved in thermal coal extraction or power generation if these activities represent a specified percentage of turnover, as defined within the Exclusion Policy.

As an active shareholder Candriam also uses this research to better understand how companies can improve their practices to address climate change. We work with companies, through engagement and other initiatives, to deliver these changes. Such engagement can either be direct or through collaborative initiatives, provided that the goals are aligned with science-based climate targets. Candriam also uses our voting rights to enact change, initiating and supporting a growing number of climate related resolutions at shareholder meetings to encourage companies to integrate climate change risks at the heart of their strategies, in line with TCFD recommendations.

One of the main sustainable investment objectives of the Candriam Sustainable SICAV investment vehicle is to address climate change objectives as defined by the Paris Agreement. Sub funds within that SICAV, where relevant for their strategies, aim for portfolio greenhouse gas emissions at least 30% below their respective benchmarks. This SICAV stands at the vanguard of Candriam's development of our innovative investment strategies across a broad range of asset classes and geographies designed to deliver positive, tangible and measurable contributions to addressing climate change. These developments can nourish investment decisions across Candriam and contribute to further progress towards the Paris Agreement objectives.

Investment objectives

- Protect investment portfolios from downside risks of climate change on company performance. This impact can result either from physical risk or exposure to mitigation risk.
- Benefit from the financial performance delivered by companies best-positioned to provide climate change solutions in transportation, power/heat generation, energy storage, industrial processes, materials, construction or information technologies.

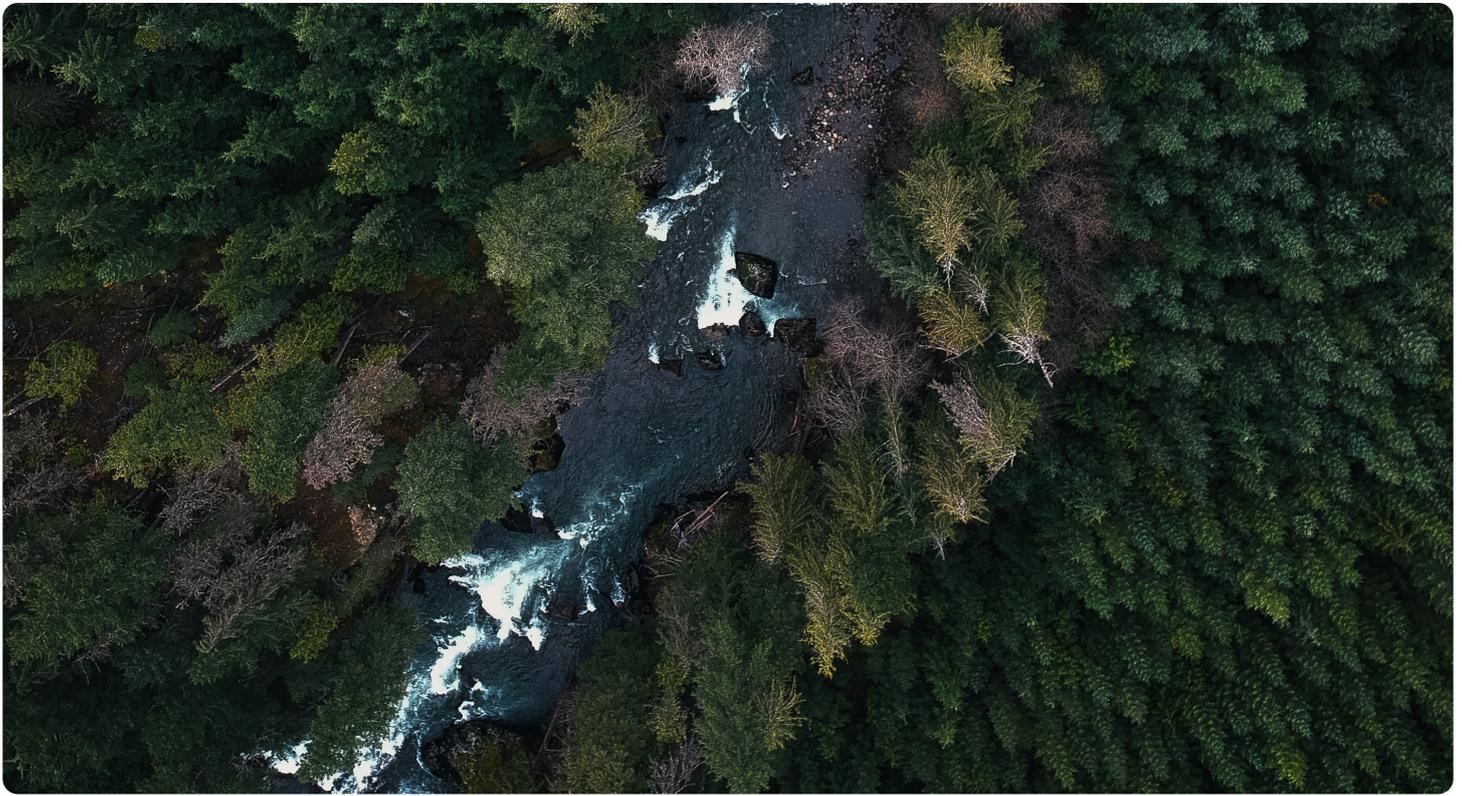
Sustainability outcomes

- Support investment in company activities making a positive contribution to climate change, helping societies to mitigate the effects of human activities on climate change, or adapt to change.
- Reduce access to financing for companies responsible for the largest share of man-made greenhouse gas emissions, thereby contributing over time to GHG reductions in line with the objectives of the Paris Agreement.

Conclusion.

This policy is intended to be a living document that will evolve as Candriam continues to refine the way sustainability is embedded in all our activities and operations. This evolution will unfold as investors increasingly address global sustainability challenges, and as the changing regulatory landscape creates new obligations and defines specific frameworks which improve our understanding of sustainability.

Within the ever more crowded field of sustainable finance, Candriam commits to remain at the forefront in product innovation and integrity of approach, and continue to use our influence to foster positive change.



€140 Bn

AUM as of
31 December 2020



600+

experienced and
committed professionals



25 years

leading the way in
sustainable investing

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