

# High Level SFDR Disclosure

Although sustainability factors and sustainability risks assessment are already deeply integrated into Candriam investment processes, the new regulation mostly requires some adjustments in terms of communication and legal disclosures on the sustainable investments of its products.

## Classification: article 8 and article 9 products

In order to distinguish between the products according to their sustainable investment strategies, SFDR defines two categories of sustainable financial products.

Article 8 refers to financial products that promote “**among other characteristics, environmental or social characteristics**”. This is a broad category meant to encompass many of the sustainable investment strategies that integrate ESG into investment analysis and decision-making process.

Article 9 of SFDR focuses on financial products that have a “**sustainable investment objective**”.

Candriam considered its entire range of financial products and classified them in terms of how thoroughly they integrate sustainability factors within its investment decisions. Two related but separate aspects were considered at this stage:

(i) how comprehensive is the range of sustainable factors integrated in the decision-making process?

and

(ii) how much impact do these considerations have on investment decision-making?

This first classification exercise made it clear that a wide range of products should be considered article 8 or article 9 products. In some instances, the products focus their investments on the best-in-class issuers from a sustainability standpoint, using material ESG factors to rank issuers and define a suitable investment universe. In other instances, ESG factors are used to select issuers that contribute significantly to fulfilling a given sustainability objective.

This latter approach can be found in Candriam’s core range of sustainability products, as well as in its specific thematic products.

## ESG criteria taken into account by the financial products

Portfolio managers integrate sustainable criteria into their investment processes and decisions in order to **better assess the risks and opportunities** for each issuer. This ESG integration approach impacts the fundamental and/or credit analysis of issuers, valuation and/or ultimately impacts the final portfolio construction.

Business Activities Analysis	Stakeholders Analysis
Climate Change Ressources & Waste Digitalization & Innovation Healthy Living & Wellbeing Demographic Shifts	Investors Environment Human Capital Clients Society Suppliers

The **Business Activities Analysis** evaluates the company's exposure (services/products, production areas, market segments, etc.) to the **major sustainable development challenges**. These challenges are long-term trends liable to considerably influence the economic environment in which companies operate and to determine the future challenges in the market as well as the long-term growth opportunities. Candriam has identified five major challenges including Climate Change.

The **Stakeholder Analysis** evaluates a company's ability to incorporate stakeholder interests in its long-term investment strategy, insofar as they are a source of risks and opportunities for the company. These six categories of stakeholders include Investors, Employees, Customers, Suppliers, Society, and the Environment.

As part of this analysis, the possible implication of companies in controversial activities covered by the applicable **Candriam exclusion policy** is also investigated. The potential violation of UN Global Compact principles is also investigated.

In terms of supporting collecting action by asset managers and asset owners, Candriam join forces with other investors to secure greater leverage in calling on stakeholders to act responsibly. You can find on Candriam's website under the following link : **Candriam engagement and voting policies** and **Candriam's latest annual report on corporate stewardship activities**.

Candriam has developed a proprietary framework assessing the sustainability of **sovereign bond issuers** based on their performance on 4 dimensions: environmental, social, human and economic. More information on this framework can be found in the respective **SRI Transparency Code**.

For the specific investment guidelines applicable to products classified by Candriam as article 8 or article 9 products, please refer to the **SRI Transparency Code of the respective products** where a table listing article 8 and 9 products available in each country is provided.

## ESG team and resources

For 25 years now, Candriam has developed expertise in ESG analysis thanks to its dedicated ESG Team. The team comprises analysts who specialise in specific sectors, sovereign analysis and active engagement activities. The team has developed its own ESG analysis methodology applied to governments, corporations and supranational agencies/organisations.

For more information about the team and resources as part of the ESG analysis and investment process, please refer to SRI Transparency Codes, section 3.2.

## SUSTAINABILITY GOVERNANCE AT CANDRIAM

Sustainability is embedded within Candriam's business model and forms an essential part of its culture. The firm aims to balance responsible behaviour towards its stakeholders with the synergies between ESG and traditional financial investment activities, as well as with its role in environmental and societal stewardship.

Candriam seeks to provide transparency through its annual Corporate Sustainability Report (CSR). The latest version is available on [our corporate website](#).

The firm's **Group Strategic Committee** (GSC) regularly assesses sustainability challenges to determine how Candriam should manage its stakeholder relations and how it should attune its business model and practices to all of these long-term challenges.

In particular, the following governance of sustainable investment activities has been defined:

- **Strategic Sustainability Committee:** the GSC, supported by Candriam's ESG and CSR experts, sets out the strategic orientations for both ESG investing and CSR.
- **Sustainability Risk Committee:** reporting to the GSC, assesses corporate reputational & financial risks regarding sustainability risks including climate risks and defines a controversial Company and Country Watch list for all Candriam's activities.
- **Proxy Voting Committee:** furnishes strategic guidance on Proxy Voting best practices and monitor Candriam's voting policy.
- **The Candriam Institute for Sustainable Development:** oversees Candriam's Philanthropy and community-impact program, through the support of initiatives in ESG Research & Education and in the Social Impact domain.

## PRODUCT RANGE COVERED BY SFDR ARTICLE 8 OR ARTICLE 9

A number of products with the following investment strategies have been classified as **article 9 products**:

Asset class	Strategy of the product	Link to Transparency Codes for more information on investment approach and sustainable investment objectives
Equities diversified	World Europe EMU North America Pacific	<a href="#">Candriam's Article 9 Core Sustainable Strategies</a>
	Emerging markets	<a href="#">Candriam's Article 9 Emerging Markets SRI Strategies</a>
Equities thematic	Climate change Circular economy	<a href="#">Candriam's Article 8 and 9 Thematic Strategies</a>
Bond diversified	Euro corporate Bond Global Global High Yield Emerging markets	<a href="#">Candriam's Article 9 Core Sustainable Strategies</a>
Asset allocation	Defensive	<a href="#">Candriam's Article 9 Core Sustainable Strategies</a>

Candriam products listed below are amongst those that have been classified as **article 8 products**:

Asset class	Strategy of the product	Link to Transparency Code for more information on investment approach and ESG characteristics
Equities diversified	EMU Smart beta index ETF Emerging markets	<a href="#">Candriam's Article 8 Equities, Bonds &amp; Multi-assets Strategies</a> <a href="#">Candriam's Article 8 Index Strategies</a> <a href="#">Article 8 SRI ETF Strategies</a>
Equities thematic	Oncology Demography Innovation Optimum Quality	<a href="#">Candriam's Article 8 and 9 Thematic Strategies</a> <a href="#">Candriam's Article 8 European Innovation &amp; Optimum Quality Strategies</a>
Bond diversified	Emerging markets Euro Short Term Euro Long Term Convertible Total Return Inflation Short Duration Sovereign Euro Bond	<a href="#">Candriam's Article 8 Equities, Bonds &amp; Multi-assets Strategies</a> <a href="#">Article 8 SRI ETF Strategies</a> <a href="#">Candriam's Article 8 Index Strategies</a>

## SUSTAINABILITY RISKS

More information on how sustainability risks are identified, monitored and integrated within investment decision-making can be found in the [Sustainability Risk Policy](#).

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€128 B

AUM as of  
30 June 2020



550+

Experienced and  
committed professionals



25 years

Leading the way in  
sustainable investing

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