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Highlights of Candriam's Biodiversity Strategy

Looking for a new symbiosis with nature



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Decades of relying on resource-intensive economic models have led us to a critical environmental crisis, often described by scientists as the sixth mass extinction of biodiversity. It is imperative to protect biodiversity to ensure the survival of all life forms on Earth. To this end, we need drastic changes in our relationship with nature.

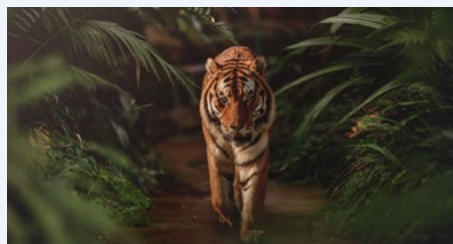
At Candriam, we have consistently incorporated biodiversity considerations into our investment strategies. Supported by our proprietary biodiversity model, the release of this Biodiversity Strategy will act as a catalyst to accelerate our commitment to biodiversity preservation.

Mounting biodiversity risks require immediate action.

82% Decline of the global biomass of wild mammals since prehistory



25% of species are already threatened with extinction in most animal and plant groups studied



Source: IPBES

Biodiversity protection has become a critical global issue. The physical impacts of biodiversity loss, such as the deterioration of air, water and soil quality, and the decline of ecosystem services like pollination, are already putting pressure on our economies. In face of this pressing challenge, new European regulations have been issued on transparency and nature conservation, as well as international agreements such as the Kunming-Montreal agreements, ratified by 168 countries, which set biodiversity targets for 2030. These new regulations will ultimately contribute to higher transition risks that are an increasing concern for investors.

As a crucial environmental issue, biodiversity has always been part of Candriam's ESG framework. Our Biodiversity strategy will serve as a catalyst to strengthen our commitment and our action, and integrate biodiversity as a core component of our sustainable strategies. Our primary conviction is that the top priority to preserve biodiversity is to stop biodiversity loss by limiting our negative impacts. Thus, our approach focuses on assessing and mitigating the impacts and dependencies of our investments, in strict alignment with the SBTn AR3T framework¹.

¹ - The AR3T approach (Avoid, Reduce, Restore & Regenerate, Transform) from the Science-Based Target network

Evaluating biodiversity requires a specific approach

In order to strengthen our analytical capabilities and systematize the integration of biodiversity in investment decisions, we have developed a proprietary model that addresses the specificities and challenges associated with the evaluation of biodiversity. This model relies on a twofold perspective:

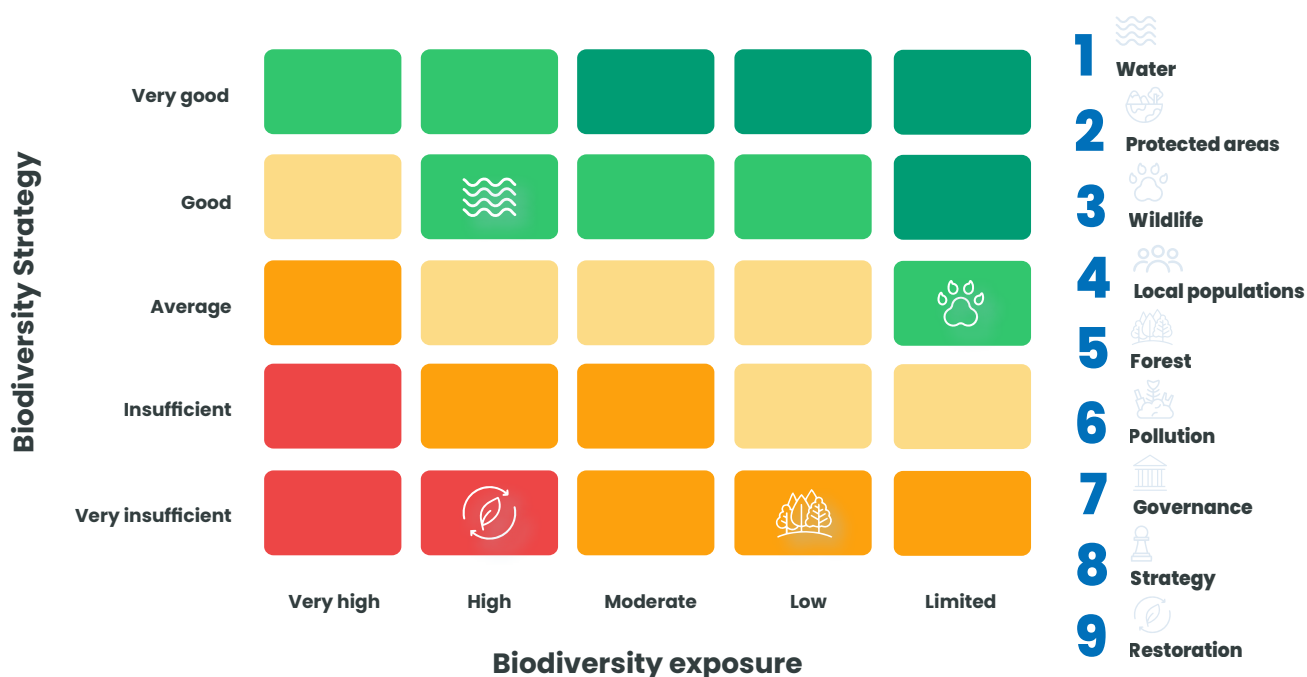
- **we analyse companies’ exposure to biodiversity impacts and dependencies** – to this end, we evaluate the impacts that companies’ activities have on biodiversity, and assess, at a localised asset-level, the companies’ exposure to key biodiversity issues.
- **we evaluate how companies manage biodiversity** – through their strategies, policies, targets, commitments, and any potential controversies they have faced.

Based on this framework, we have built a **proprietary biodiversity matrix** that helps us evaluate whether companies have put in place an adequate management of biodiversity based on their specific exposure to biodiversity risks and impacts. Our biodiversity assessment focuses on nine key biodiversity topics: Water, Protected Areas, Wildlife, Local populations, Forests, Pollution, Governance, Strategy and Restoration.

This tool enables us to identify the key biodiversity issues at risk for a given issuer. Additionally, the matrix provides a guide for more accurate and specific engagement with companies the most at risk. We can then promote improved practices or, if engagement is unsuccessful, ultimately exclude the company from our sustainable investment universe.

Figure 1:

Candriam’s biodiversity matrix illustrating a company’s exposure to biodiversity risks and its management of these risks (Water, Forest, Wildlife, Restoration)



Source: Candriam

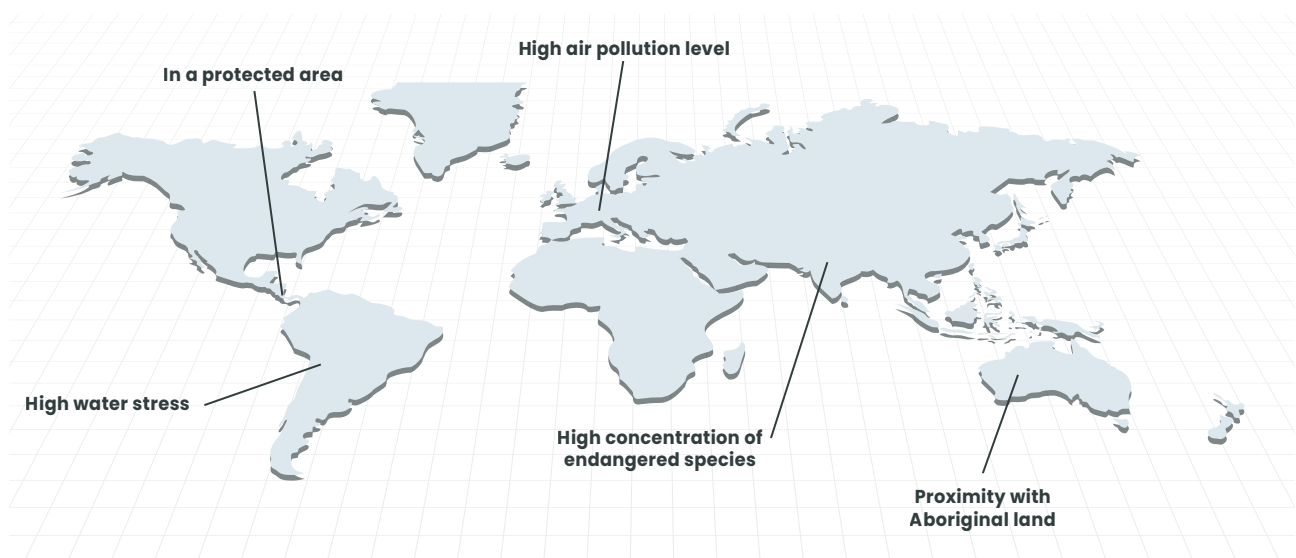
Robust internally-developed tools support our analysis

Our framework is supported by internally-developed tools, tailored to address the unique aspects of biodiversity. In particular, in order to **measure the biodiversity footprint of issuers**, Candriam has partnered with **Carbon4 Finance**, which has developed the BIA-GBS framework in collaboration with CDC Biodiversité. Their **MSA (Mean Species Abundance) metric** is designed to gauge the extent of ecosystem integrity loss, essentially measuring how much primary ecosystems have been altered or transformed into areas with diminished biodiversity value. Each company, through its activities, is attributed a certain level of ecosystem integrity loss. This number can then be aggregated at portfolio level.

In addition, biodiversity impacts are very much linked to where the company's operations take place. It is clear to us that analysing biodiversity impacts and dependencies requires a localised approach at the level of companies' assets. **We thus complement the assessment of the activity-level footprint of a company by a geographic model** that compiles the locations of an issuer's operations (mines, industrial sites, offices) with localised biodiversity data (water stress, protected areas, species density)². Getting this accurate picture of biodiversity impacts is crucial for making informed investment decisions in line with biodiversity conservation goals.

Figure 2:

Example: Geographical mapping of biodiversity issues



Source: Candriam

2 - All the geographical information and algorithms are compiled through QGIS software

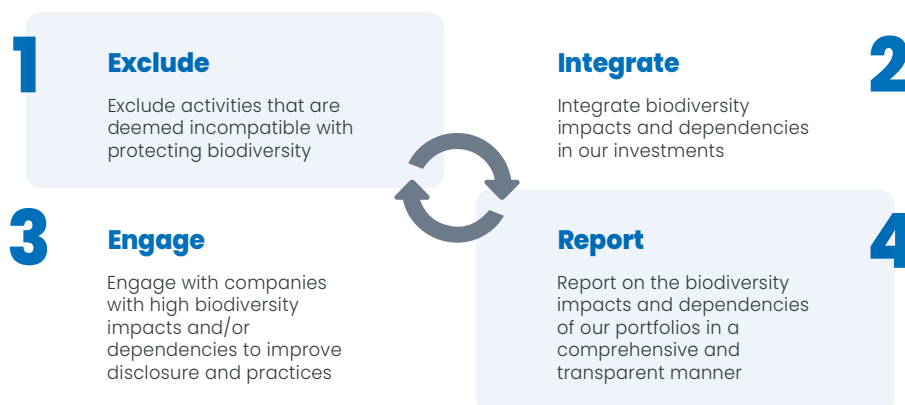
Candriam's Biodiversity Strategy.

The four pillars of our Biodiversity strategy, applicable to article 9 funds, are:

- **Excluding** companies whose activities and/or practices are incompatible with biodiversity preservation. This includes pesticides for the agricultural sector, the development of genetically modified organisms (GMOs), and certain controversial mining practices, such as deep-sea mining. The exclusion extends to companies that lack sufficiently advanced management practices on issues identified as critical by our biodiversity model.
- **Integrating** biodiversity considerations into our ESG framework and investment decisions, with a focus on high stakes sectors or issuers for which biodiversity is considered material.
- **Engaging** with companies facing biodiversity challenges through direct dialogues or collaborative initiatives. In 2023, we have conducted for example, an engagement on palm oil supply chain, and became a member of the Nature Action 100 initiative.
- **Reporting** transparently on our biodiversity-related risks and impacts. We have committed to report the biodiversity footprint of our article 9 funds. We also have committed to publish a TNFD (Taskforce on Nature and Financial Disclosure) report in 2024

Figure 3:

The four pillars of Candriam's Biodiversity Strategy



Source: Candriam

We believe this strategy will be instrumental in anticipating biodiversity risks and minimizing our negative impacts on biodiversity, thereby contributing to our commitment to create sustainable value for our clients.



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