

Net Zero progress report 2026



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Prior to joining, Alix worked as an ESG and Shareholder Engagement Analyst at Phitrust since 2021, where she focused on ESG analysis, shareholder advocacy, and working with investment teams on responsible investment. She also completed internships in ESG at BNP Paribas AM and Oddo BHF.

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Foreword.

The summer of 2026 has brought into sharp focus a reality that can no longer be ignored: climate change is no longer a challenge for future generations—it is one of the defining challenges of our own. Across continents, record-breaking heatwaves, devastating wildfires, prolonged droughts and destructive floods have demonstrated that climate risks are material, immediate and increasingly systemic. Our house is literally on fire. How long we can still afford to turn our head away?

The consequences of global warming already extend far beyond the environment. **Climate change has become a major economic and social force, disrupting supply chains, straining public finances, threatening food and water security, and widening inequalities.** Insured losses from natural catastrophes have exceeded USD 100 billion annually for six consecutive years¹, while the broader economic losses are significantly higher. For investors, climate risk is no longer a niche sustainability issue—it is a macroeconomic reality shaping growth, inflation, asset valuations and long-term investment outcomes.

This changing landscape reinforces an essential point: **adaptation has become indispensable.** Governments, businesses and communities must strengthen the resilience of infrastructure, agriculture, cities and financial systems to withstand physical impacts that are already unavoidable. **Yet adaptation alone will not be sufficient.** There is no credible adaptation strategy without an acceleration of mitigation efforts. Beyond

certain warming thresholds, our capacity to adapt becomes increasingly uncertain. A world that warms by 3°C would expose societies and economies to risks that cannot simply be managed through resilience measures.²

The challenge before us is therefore twofold: to adapt to the climate we are already experiencing, while acting decisively to limit the climate we will face tomorrow. Every fraction of a degree avoided matters. Every year of delayed action increases both the human and economic cost of the transition.

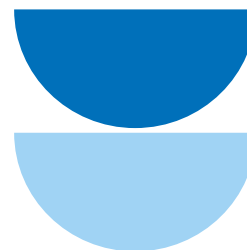
As investors, we have a critical role to play. Capital allocation will influence our ability to mitigate climate change and adapt to changing climate conditions, while today's decisions will shape our energy and industrial systems for decades to come. Supporting the transition requires in-depth conviction analysis, long-term thinking and active engagement with companies that are developing solutions, managing risks and adapting their business models to a changing world.

As the impacts of climate change place increasing pressure on economies, we continue to believe that investing in the transition is an important way to mitigate climate risks and protect our clients' investment value over the long-term. This is why, despite challenging years, we have reaffirmed our net zero ambition and related climate objectives. This report highlights the progress made in 2025 and sets out the path towards 2030.

¹ <https://www.swissre.com/press-release/2025-marks-sixth-year-insured-natural-catastrophe-losses-exceed-USD-100-billion-finds-Swiss-Re-Institute/f710c271-58c8-4c48-9004-05203634d1e0>

² <https://www.ipcc.ch/2026/05/20/ipcc-chair-jim-skea-2026-copenhagen-ministerial>

Our net zero 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 objectives of the Paris agreement. In November 2021, we joined the Net Zero Asset Manager Initiative (NZAMI), which brings together more than 250 asset managers³ that have committed to supporting the goal of net zero GHG emissions by 2050 or sooner, consistent with global efforts to limit warming to 1.5 °C.

As part of this commitment, we have defined four pillars in our climate strategy and set ambitious 2030 climate objectives in order to position our investments on this net zero trajectory.

We have defined the initial scope 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 net zero perimeter at end 2025 accounted for 16% of our total assets under management.**

While our initial net zero perimeter may appear limited, climate integration is being rolled out across our investments. This is highlighted by the fact that funds classified as article

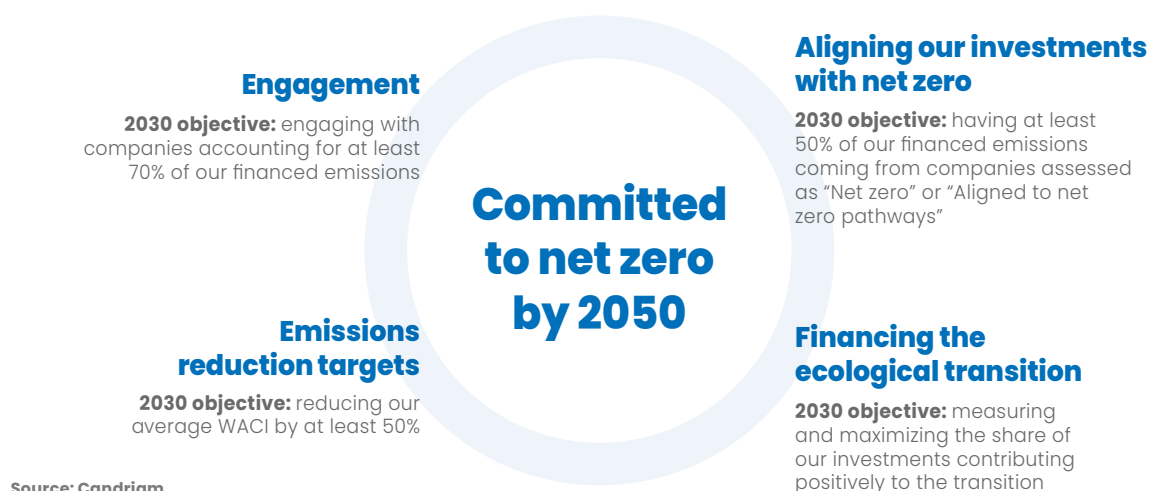
8 under the Sustainable Finance Disclosure Regulation (SFDR) (hereafter “article 8 funds”) that are not part of our net zero perimeter have decarbonised at an even faster rate than the funds classified as article 8 & 9 under the SFDR (“article 8 funds” and “article 9 funds”) within our net zero perimeter.

Our article 8 and article 9 funds combined, accounting for 73% of our assets under management, have reduced their carbon intensity by 47% in 2025, already very close to our objective of -50% by 2030.⁴

We are continuing discussions with some of our key clients and strategic partners in order to enlarge this scope. Clearly, we cannot integrate ambitious climate objectives in the way we manage our clients’ investments without their clear consent. Several of the institutional mandates that we manage are already aligned with net zero goals, but cannot be included in this net zero perimeter without the clients’ approval. We will continue this dialogue with our strategic clients and partners to, progressively, more accurately reflect the real share of assets where climate considerations are central and, in many instances, aligned with our net zero strategy.

Figure 1:

Embedding Net Zero at the Core of Our Sustainable Investment Strategy – Objective



³ Source: Net Zero Asset managers, February 2026. <https://www.netzeroassetmanagers.org/net-zero-asset-managers-initiative-relaunches-with-global-investor-backing-and-updated-commitment/>

⁴ Source: Candriam, December 2025

Net Zero Asset Managers Initiative: reaffirming our commitment

2025 was an important year for the Net Zero Asset Managers initiative (NZAM), as it reviewed its commitment and framework. Candriam contributed to the consultation process and has reaffirmed its support for the initiative while maintaining its existing 2030 climate targets.

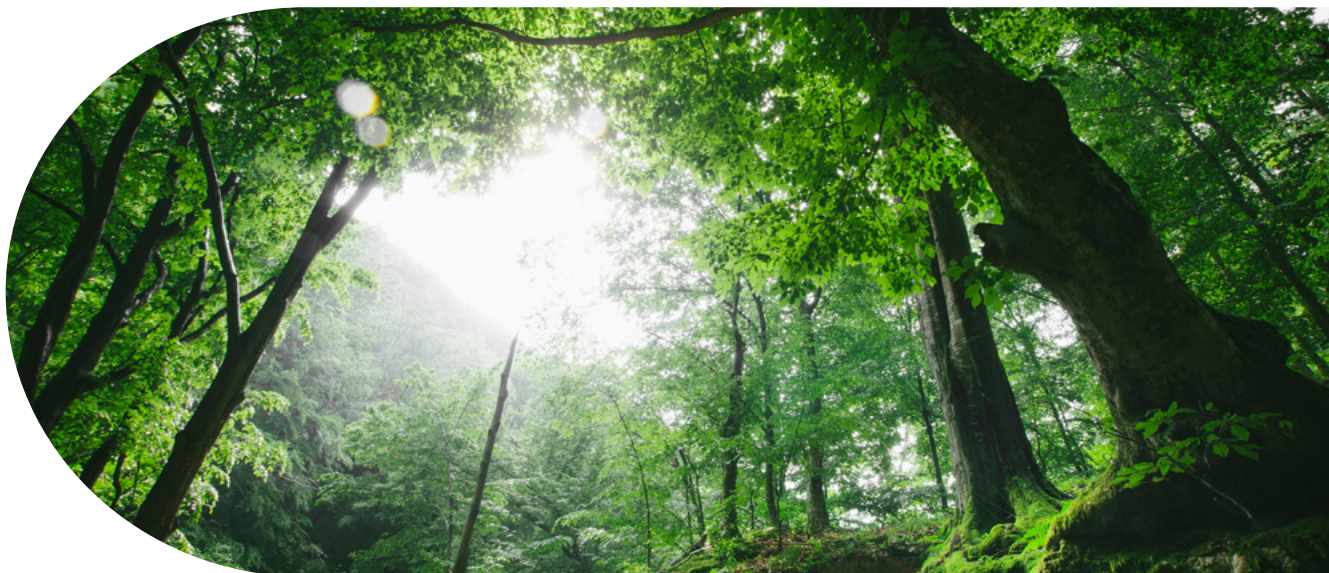
After several months of review and consultation, NZAM relaunched with an updated mission statement and requirements. The updated framework reaffirms the core principles of the initiative, including alignment with the goals of the Paris Agreement, the ambition to limit global warming to 1.5°C while keeping it well below 2°C, the importance of interim targets, and a continued focus on transparency and accountability. It also places greater emphasis on climate risk management, resilience, fiduciary duty, client objectives and the role of public policy in supporting the transition. Stewardship remains a central pillar, with engagement and voting recognised as key mechanisms for driving progress towards a low-carbon economy.

This review took place against a backdrop in which climate and ESG considerations have faced greater political and regulatory scrutiny in some markets, creating a more complex operating environment

for companies and investors. At the same time, heightened geopolitical risks have brought energy at the centre of national sovereignty and resilience. The increased focus on risks also reflects the fact that in a delayed or disorderly transition scenario, climate will generate more, not less, risks to our economies and to investments.

The review of the NZAM framework has not altered Candriam's climate ambitions or its long-term commitment to net zero. As a responsible asset manager, **Candriam remains committed to supporting the goals of the Paris Agreement and to its objective of achieving net-zero greenhouse gas emissions across its activities by 2050.** We continue to regard climate change as a material financial risk with potentially significant implications for economies, companies and investment portfolios, particularly in scenarios where the transition towards a low-carbon economy is delayed, disorderly or insufficiently financed.

We will continue working towards our climate objectives, in line with our clients' objectives and values, while collaborating through NZAM to support improved research, transparency and industry practices around climate investing.



Our 2025 progress in a nutshell.

2030 Objective	Achievements 2025	Progress
- Engagement 70% financed emissions covered	60 companies engaged 52.5% of financed emissions	
- Weighted Average Carbon Intensity (WACI) portfolio - 50% reduction (2019 baseline)	-37% (not rebased for AUM evolution) -44% (rebased for AUM evolution)	
- Net zero alignment 50% financed emissions "net zero" or "aligned"	122 companies analysed 13% of financed emissions "net zero" or "aligned"	 Coverage  Performance
Financing the transition	7.8% average revenue alignment with EU taxonomy - USD1.65 bn in green bonds	
Expanding net zero perimeter	16% AUM	

Source: Candriam, December 2025

Despite two challenging years for ESG investing and climate in particular, **we are still well on track to reach all of our climate objectives**, with material progress on the decarbonisation of our portfolios (including beyond net zero perimeter). However, more efforts are needed on increasing the share of our investments aligned with net zero, and enlarging our net zero perimeter.

2025 net zero performance in a nutshell⁵:

- we have engaged **60 companies**, accounting for a little bit more than **52.5% of our financed emissions**.
- we have continued to decarbonise our portfolios at a very fast pace. **Our net zero perimeter achieved a carbon intensity reduction of 37% when not rebasing for AUM evolution and 44% when taking into account AuM evolution** (i.e. neutralising the effect of AUM changes from one asset class to another). This number is even higher when enlarging the analysis to all article 9 and article 8 funds that account for 73% of our total AuM: **the average carbon intensity of our article 8 and article 9 funds has decreased by 43% when rebasing for AUM evolution and 47% when not rebasing for AUM evolution**. It shows that our net zero commitment goes well beyond our net zero perimeter, and that carbon considerations are taken into account across our investments, in line with our clients' expectations.

- we had analysed 122 of our most emitting companies according to our net zero assessment framework, that assesses the alignment of companies' climate strategies with the Paris goals. **We have increased the share of financed emissions coming from companies that are "net zero" or "aligned with a net-zero pathway", from 12% at end of 2024 to 13% at end of 2025.**

- we are working on new tools and indicators to assess our financing of the ecological transition. In addition to carbon and temperature alignment indicators that are available in our investment systems across our assets, we have integrated EU taxonomy alignment numbers, and refined our green bond methodology and monitoring. The average share of revenue aligned with the EU taxonomy was 7.8% at end of 2025.

The main challenge remains to expand our net zero perimeter while keeping the same objectives, especially in terms of net zero alignment at issuer level. Due to market effects and downsizing of some of our article 9 strategies, the net zero perimeter remained stable at 16% at end of 2025 (from 16% at end of 2024).

We will now review our 2025 performance in greater detail.

⁵ Source: Candriam, December 2025

1. Engaging for Net Zero.

Net zero engagement campaign

In 2022, Candriam launched a net zero campaign to support our NZAMI commitment to become net zero GHG emissions by 2050 or sooner across all our activities, in line with global efforts to limit warming to 1.5°C.

Our engagement strategy follows a multi-step approach for each target, focused on supporting companies in their decarbonisation journeys.

We selected the target companies based on their contribution to Candriam's portfolio Weighted Average Carbon Intensity (WACI), financed emissions (carbon footprint), our clients' priorities, and our assessment of the potential for successful engagement.

This direct engagement campaign currently includes over 60 issuers with whom we have regular interactions.

Scope of our net zero engagement as of end 2025:

- 60 issuers have been engaged on their net zero practices since 2022, representing 59% of the carbon footprint (financed emissions) and 52.5% of the WACI within our net zero perimeter. We are on track to meet our objective of engaging with at least 70% of our financed emissions.⁶
- These engagements inform both our internal research and our voting positions on climate-related resolutions.

Engagement objectives

Our campaign focuses on three core objectives:

1. Ensuring accuracy and timeliness of our net zero assessments for companies.
2. Encouraging transparency around issuers' decarbonisation targets and strategies, pushing for improved disclosure and greater consistency across sectors and regions.
3. Promoting better practices by understanding the challenges and barriers that companies face in reaching their net zero goals.

Insights gathered through these engagements directly inform both our research and our voting and investment decisions. Where progress is deemed sufficient, we de-escalate our engagement. Alternatively, if engagement remains unproductive, we may take additional steps in line with our engagement framework, which could include decreasing portfolio holdings or divesting.

2025 net zero engagement in numbers

35 companies targeted:

- 2 in person meeting
- 22 direct calls
- 65 letters and mails

⁶ Nota bene: Since the launch of our net zero engagement campaign in 2022, the composition of the portfolios within our net zero perimeter has naturally evolved as a result of regular portfolio management. For the time being, we have chosen to retain most of our initial target issuers, as they may remain relevant when our net zero perimeter expands. However, the relative contribution of each issuer to the WACI and carbon footprint of the chosen perimeter has shifted over time. As a result, progress toward engaging a given percentage of WACI or carbon footprint may appear slower, even though underlying engagement efforts continue.

Examples of positive outcomes in 2025:

Providing a detailed roadmap to net zero, with key levers to achieve their goals and the emission reduction contribution of each target



Compagnie de Saint-Gobain* – Aligned with a net-zero pathway

Over several years of engagement with Saint-Gobain, we have encouraged the company to strengthen the transparency of its decarbonisation strategy by providing greater detail on the key levers underpinning its emissions reduction pathway and quantifying their respective contributions. We emphasised that such disclosures are essential for assessing the credibility of the company's transition plan and its ability to achieve its 2030 climate targets.

Positive Developments:

A notable improvement, consistent with the objective of our engagement, was the publication, in 2025, of detailed information on the company's decarbonisation levers and their expected contribution to emissions reductions. This enhanced disclosure provides greater visibility into the company's transition pathway and enables investors to better understand the actions and assumptions underpinning its 2030 emissions reduction objectives.

Source: Candriam analysis based on company reported data.

Improved disclosure on scope 1, 2 and material scope 3 emissions:



Carl Zeiss Meditec* – Committed to aligning with a net-zero pathway

Since 2022, we have engaged annually with Carl Zeiss Meditec (CZM), primarily via email, encouraging the company to improve the transparency and completeness of its climate disclosures. In particular, we called for enhanced reporting of scope 1, 2 and 3 emissions, greater visibility on the company's decarbonisation strategy, and the development of science-based emissions reduction targets, including for scope 3 emissions. We also encouraged the company to provide more detailed disclosure on sustainable investment plans and the alignment of its capital expenditure with climate objectives.+

Positive Developments:

A notable improvement, aligned with the objective of our engagement, was the publication of CZM's 2024/25 non-financial report, which significantly enhanced disclosure on scope 1, 2 and 3 greenhouse gas emissions. The company also began reporting EU Taxonomy-aligned and Taxonomy-eligible capital expenditure (CapEx), with 53% of CapEx classified as Taxonomy-eligible and 0% as Taxonomy-aligned.

In addition, Carl Zeiss Group announced the development of a scope 3 emissions reduction plan aligned with the Science Based Targets initiative (SBTi), submitted at the end of 2025. While CZM has not yet established a dedicated scope 3 target, these developments represent important progress towards greater transparency and a more structured approach to climate transition planning.

Source: Candriam analysis based on company reported data.

* Companies held in Candriam's portfolios

Net zero vote

Voting is an integral component of our engagement strategy, providing a powerful way to express our approval or disapproval of investee companies' climate strategies. It also serves as an effective escalation tool when direct engagement does not deliver the desired outcome.

Our approach is both constructive and transparent. Before voting on a Say-on-Climate, whether we support the resolution

or not, we pre-declare our votes⁷ and share our rationale directly with the company. We also offer to engage in dialogue to gain a deeper understanding of the company's positioning and the challenges it faces, and to highlight industry best practices. Our expectations are guided by Candriam's proprietary net zero assessment⁸, which provides a structured and robust framework for evaluating climate strategies.



To know more about our climate change voting approach, see our **Proxy Voting Policy where we detail:**

- **Our Say-on-Climate voting approach**
- **Our climate shareholder resolutions approach and,**
- **How climate may trigger a vote against management.**

Link to our proxy voting policy : [proxy_voting_policy_en.pdf](#)

Link to our pre-declaration page: [Predeclaration of Voting Intentions | Candriam](#)

Is climate still on the ballot?

Since 2023, the trend of submitting climate transition plans has stalled (see "Say-on-Climate at a Crossroad" in our Mid-Year Voting report⁹). With CSRD/CSDDD no longer pushing for mandatory climate transition plan disclosures¹⁰, we continued to engage on Say-on-Climate votes to support transparency and informed shareholder decision-making, including through investor initiatives such as signing the investor tribunals led by the French SIF¹¹ and joining Local Authority Pension Fund Forum and CCLA Investment Management for the first time in asking FTSE100 companies (UK) to submit a Say-on-Climate vote at their next AGM.¹²

Despite early enthusiasm, momentum behind Say-on-Climate (SOC) resolutions has weakened. After peaking at 49 proposals in 2022, the number fell to 27 in 2023 and 2024, and picked up slightly to 29 in 2025. This reflects a broader global deceleration in climate accountability efforts.¹³

Candriam's voting patterns mirror this trend. In 2025, we reviewed and voted on 18 SOC resolutions, broadly in line with the previous year. However, our level of support continued to decline: from 44% in 2023 to 29% in 2024 and just 11% in 2025. This declining support reflects our increasing dissatisfaction with companies' lack of ambition and subpar results, particularly as the critical 2030 and 2050 climate targets draw closer.

⁷ <https://www.candriam.com/en/professional/insight-overview/publications/predeclaration-of-voting-intentions/>

⁸ https://www.candriam.com/siteassets/medias/insights/esg/climate-strategy/climate_strategy_gb.pdf

⁹ [2025_08_mid_year_voting_report_gb.pdf](#)

¹⁰ CSRD: Corporate Sustainability Reporting Directive. CSDDD: Corporate Sustainability Due Diligence Directive. [Council and Parliament strike a deal to simplify sustainability reporting and due diligence requirements and boost EU competitiveness – Consilium](#)

¹¹ [Positions et propositions Say on Climate](#)

¹² [LAPFF & CCLA lead over £3tn investor group in urging FTSE 100 firms to provide shareholder vote on climate strategies | CCLA](#)

¹³ Source: FIR, [Statistiques Say on Climate](#)

Developments at individual companies also illustrate some of the limitations of the SOC mechanism. While 2024 saw the first rejection by shareholders of a management sponsored Say-on-Climate resolution at Woodside Energy¹⁴, the company proceeded with business as usual in 2025, pushing ahead with the expansion of Australia's largest gas project, the North West Shelf, through to 2070, and announcing a new LNG project in Louisiana, scheduled to launch in 2030.¹⁵

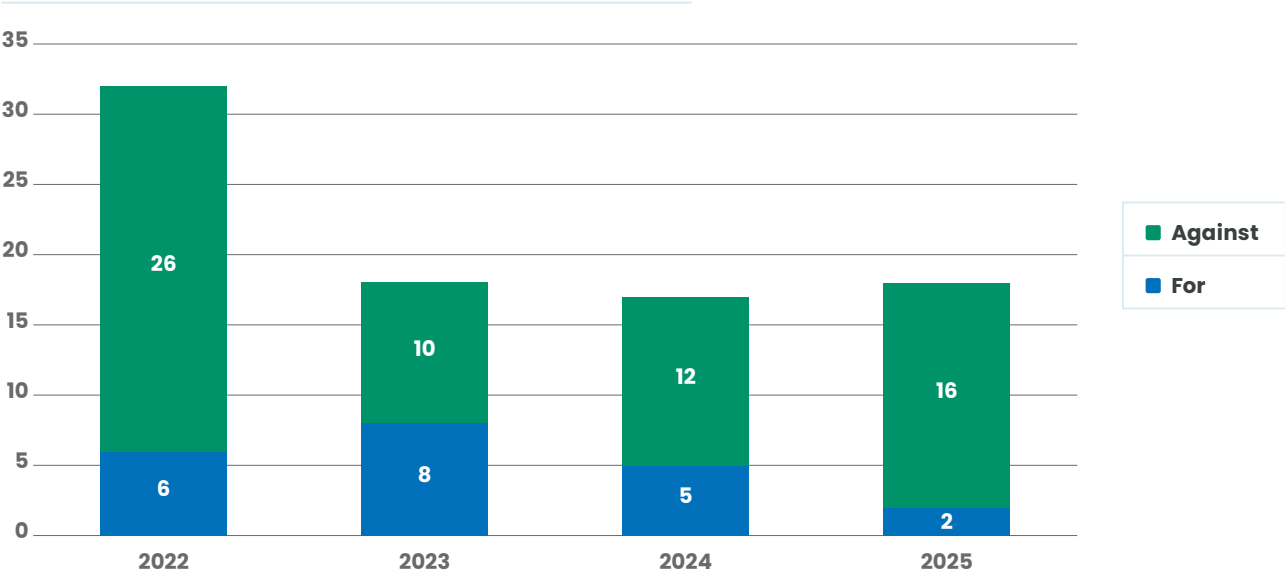
We saw other examples of the changing climate-voting landscape. In 2025, BP rolled back its climate targets and chose not to present a SOC resolution to shareholders, despite having done so in 2022.¹⁶ Similarly, TotalEnergies (TTE) shifted to a more controlled and less accountable approach, placing a climate-related item on its annual meeting agenda without offering shareholders a direct vote.¹⁷ While the company has stated that any "significant change" in strategy would trigger a vote, the notion of significance remains to be more precisely outlined.

As a result, concerns are growing about the real-world effectiveness of Say-on-Climate votes as a mechanism for shareholder oversight. When companies submit climate strategies for shareholder approval, insufficient alignment with the 1.5°C goal often raises concerns. In cases where there is no SOC on the agenda but material concerns over climate alignment remain, we express our views through a vote on other relevant items on the agenda. While this still reflects our responsibility to act in the best interests of our clients and to support the protection of long-term shareholder value, it may also obscure the rationale behind our voting decisions and dilute the signal sent to the company on each individual resolution on the agenda.

2025 net zero vote in numbers

- 18 Say-on-Climate votes
- 11% vote in favour
- No Say-on-Climate resolution rejected at the AGM (vs. 1 in 2024)

Figure 2:
Candriam votes on management Say-on-Climate



Source: Candriam, December 2025

14 <https://www.theguardian.com/australia-news/2024/apr/24/woodside-energy-climate-plan-rejected-shareholders-annual-general-meeting-protest-vote>
15 <https://www.woodside.com/what-we-do/growth-projects/woodside-louisiana-lng#:~:text=Woodside%20Louisiana%20LNG%20%28LALNG%29%20is%20an%20under-construction%2C%20LNG,permitted%20capacity%20of%2027.6%20million%20tonnes%20per%20annum>
16 <https://www.bp.com/en/global/corporate/news-and-insights/press-releases/growing-shareholder-value-a-reset-bp.html>
17 <https://totalenergies.com/news/press-releases/convening-annual-shareholders-meeting-may-23-2025>

The main reasons for voting against were a lack of alignment with a credible 1.5°C pathway, inadequate or weakened emissions reduction targets (particularly due to incomplete scope 3 coverage), and insufficient transparency and implementation detail, including missing capex alignment, limited disclosure, and the absence of robust external validation. Taken together, these factors negatively affected our assessment of the credibility of companies' transition strategies.

Our pre-declaration process enhances accountability and investor voice and provides companies with an opportunity to clarify or improve their plans ahead of the vote. The process also facilitates further dialogue with companies and, where new information or commitments address our concerns, may lead us to reconsider our voting stance.

Example



EQUINOR ASA – Not aligned with a net-zero pathway

Item 8 (2025 AGM)

Approve Energy Transition Plan

Candriam vote: AGAINST (not in line with management recommendation)

Rationale¹⁸: In 2022, Equinor's net zero strategy was already misaligned with a 1.5°C pathway, which requires emissions reductions of 40–50% by 2030. Since then, the company has taken steps that further distance it from a credible net zero trajectory.

The recent weakening of its climate targets, shifting from fixed emissions intensity reductions of 20% by 2030 and 40% by 2035 to less ambitious ranges of 15–20% and 30–40%, reflects a declining level of commitment. Additionally, Equinor has scaled back its 2030 renewables capacity target and abandoned its plan to allocate over 50% of capital expenditure to low-carbon projects by 2030. These changes are compounded by the company's intention to increase oil and gas production by more than 10% between 2024 and 2027.¹⁹

Taken together, we see these developments as a clear step backward from the company's stated net zero ambition, a trajectory that, under our internal net zero assessment framework, poses long-term risks that are detrimental to shareholder value. As such, a vote AGAINST is warranted for this resolution.

Voting Outcome: Passed. 95.6% support.

Source: Candriam analysis based on company reported data.

Looking ahead, we hope to see renewed momentum in Say-on-Climate votes in 2026, as many companies use 2025 as an important interim milestone and are expected to publish updated transition plans and targets for the 2026–2030 period.

¹⁸ Please note that the rationales mentioned in this section are taken from the vote disclosure platform of Candriam. There may be some wording differences relative to the original filings, for ease of reading. All rationales listed in this document are in line with Candriam's publicly available voting policy as well as the net zero assessment framework which are both grounded in our fiduciary responsibility to act in our clients' best interests and to support the safeguarding of long-term shareholder value.

¹⁹ <https://www.reuters.com/sustainability/climate-energy/equinor-cuts-renewable-energy-target-due-industry-headwinds-2025-02-05/>

Director accountability on climate

As both management-led climate resolutions and environmental shareholder proposals become less prevalent, and with 2030 approaching as a milestone for long-term climate objectives, our focus has increasingly shifted towards alternative mechanisms for climate oversight, particularly director accountability, where we seek to ensure that climate-related responsibilities are clearly embedded at board level.

In 2025, in accordance with our proxy voting policy and guidelines, we voted against the election of particular directors on climate-related accountability grounds at 14 companies and adjusted our voting stance on three companies owing to the progress observed.

In total, we voted Against 162 management resolutions on discharge and director elections filed by companies flagged as 'most sensitive' for climate-related reasons, owing to a lack of appropriate board oversight.

Example



BP Plc – Not aligned with a net-zero pathway
Priority Trigger: Climate Director Accountability

Item 3: Re-elect the board Chair

Item 7: Re-elect the Audit Committee Chair

Item 8: Re-elect the Sustainability Committee Chair

Candriam vote: AGAINST (not in line with management recommendation)

Rationale¹⁸: A vote AGAINST incumbent board Chair, incumbent Audit Committee Chair and incumbent Sustainability Committee Chair is warranted as the company withdrew significant climate targets and made substantial changes to its business strategy without seeking shareholder approval. Given that the board Chair Helge Lund plans to step down in 2026, the Audit and Safety & Sustainability Committees are now increasingly responsible for climate oversight.

Source: Candriam analysis based on company reported data.



Next step: enhancing transparency on climate and biodiversity voting in the 2026 Proxy Voting Policy

The main change in the 2026 proxy voting policy is not a shift in our climate voting philosophy, but **a clearer and more granular articulation of how we apply it in practice**. The 2025 policy already embedded climate considerations across several voting areas, including board oversight, remuneration, audit and non-financial reporting, Say-on-Climate votes and shareholder resolutions. In 2026, the policy makes these expectations more explicit by clarifying how we assess the credibility and feasibility of companies' transition plans, including the role of capital allocation, credible interim targets, regular progress reporting and governance accountability.

The updated policy also provides **more detail on how climate-related concerns may translate into voting decisions**. In particular, it clarifies the circumstances that may lead us to oppose Say-on-Climate resolutions, such as insufficient interim milestones, weak alignment between capital expenditure and stated climate ambitions, lack of progress against previous commitments, or governance structures

that do not support delivery. It also gives more detail on our expectations for climate-related financial and non-financial reporting, including the use of quantitative assumptions such as emissions trajectories, carbon pricing and transition costs aligned with a 1.5°C pathway.

A further important development is **the more explicit integration of biodiversity**. While the 2025 policy already referred to biodiversity in the context of shareholder resolutions and encouraged companies to disclose actions to prevent or mitigate biodiversity harm, the 2026 policy introduces a dedicated "Say-on-Biodiversity" section and a clearer assessment approach based on nature-related transition plans. It also adds biodiversity to the escalation framework, including potential votes against management where biodiversity policies, disclosures or targets are insufficient when assessed against Candriam's framework, peers, international standards and market best practices.

Overall, the 2026 updates improve transparency on how our existing climate and biodiversity voting approach is implemented and how proxy voting supports our escalation, accountability and stewardship objectives.



2. Portfolio decarbonisation

We have committed to reducing the carbon intensity of our investments by 50% by 2030 from a 2019 baseline. Why 50% by 2030? Because climate scientists estimate that a 40–50% reduction in our GHG emissions by 2030 is necessary to remain on track with the Paris Agreement goals.

As an investor, it is challenging to take an absolute reduction objective, as any increase in our assets under management would naturally translate into an increase of the GHG emissions we finance. Our decarbonisation objective is thus set on the carbon intensity of the activities we finance, measured as carbon intensity (t CO₂/m\$ revenues). This is also why we communicate on our decarbonisation progress in a manner that is adjusted and unadjusted to AUM evolution, so as to better highlight our ability to decarbonise our investments.

There is ongoing debate across the industry about the most appropriate carbon metric to reflect meaningful climate action. We have chosen to use the “Weighted Average Carbon Intensity” (WACI), while others, including some regulators, prefer the carbon footprint metric. Our choice is based on WACI’s greater stability and its lower sensitivity to market effects, which can obscure real progress in decarbonisation. Our analysis has shown that the so-called “denominator effect” is significantly more pronounced and volatile when using a company’s enterprise value including cash (EVIC), as in the carbon footprint metric, than when using company

revenues, as in carbon intensity. Since our goal is to ensure that the decarbonisation of our investments reflects the real-world decarbonisation of the activities we finance, WACI proves to be better suited for setting a robust, long-term decarbonisation target.

The need for rebaselining as our net zero perimeter progresses

We started our net zero journey with a Weighted Average Carbon Intensity (WACI) of 109.9t CO₂/m\$ revenues in 2019, when retreating the AUM effect between 2019 and 2021 when we committed to our net zero goal.

As our net zero perimeter evolves, due to the growth of certain strategies or the addition of new funds with significantly higher or lower carbon intensity, we must recalculate our baseline to accurately reflect the decarbonisation progress of our investments. Following this reassessment, our 2019 baseline has been revised to 105t CO₂/m\$ revenues.

As of 31 December 2025, we have achieved a WACI of 58.72 t CO₂/m\$ revenues. This is a 44% reduction with the 2025-rebased baseline and a 37% reduction when not rebaselining for AUM evolution.

Portfolios	% of total AUM	WACI Reduction AUM-rebased	WACI Reduction Not AUM-rebased
Net zero perimeter	16%	-44.06%	-37.46%
Article 9 (all)	14%	-44.36%	-41.35%
Article 8 (all)	59%	-42.92%	-47.45%
Article 8 & 9	73%	-42.76%	-47.34%

Source: Candriam, December 2025



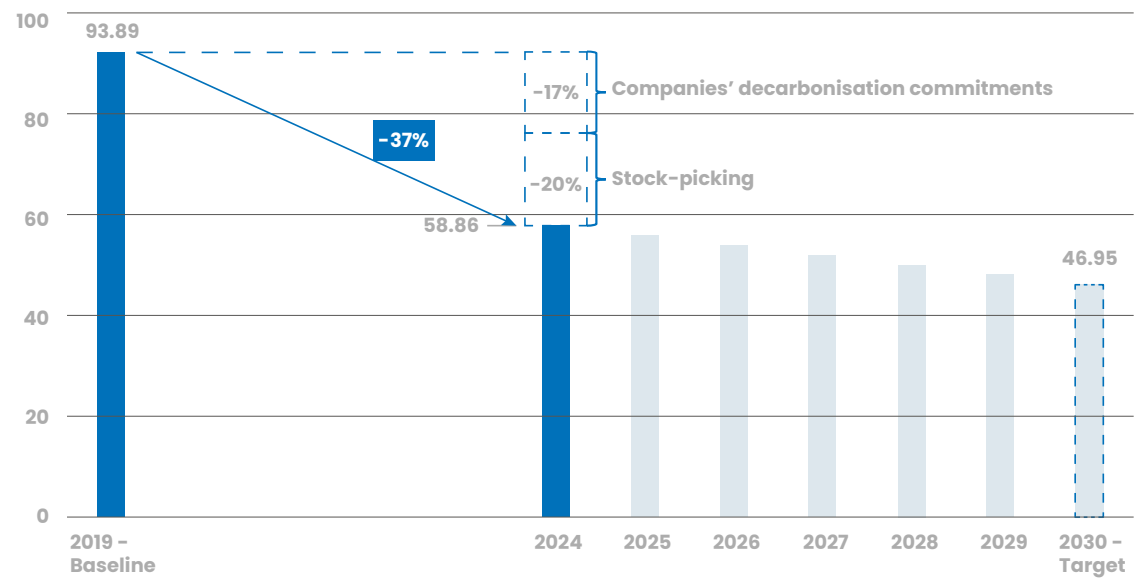
Our assessment of our decarbonisation performance reveals that the article 8 funds outside the net zero scope have had the fastest pace of decarbonisation. This is not surprising, for several reasons:

- Funds with higher initial carbon intensity have more room to decarbonise
- Our Article 9 funds, particularly those with environmental or climate-focused themes, tend to invest in climate solutions across sectors such as utilities, transport, and industry. These sectors are inherently more carbon intensive than the rest of the economy. Even large renewable energy developers and grid infrastructure companies often have carbon intensity levels that exceed those of the general market.

- Carbon metrics are KPIs that have been tracked for some time by clients, encouraging our investment teams to integrate carbon considerations into their investment decisions, even for funds that are not formally included within the net zero perimeter.

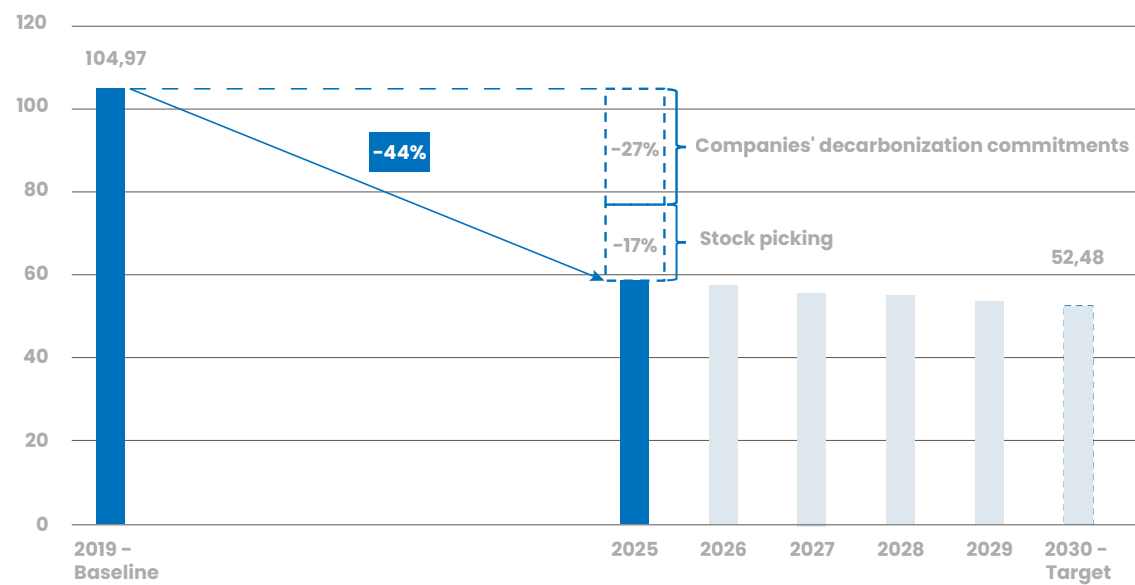
In terms of the levers used to decarbonise our portfolios, both decarbonisation of the investee companies and stock picking helped achieve this performance, with respective contribution highlighted below in both an AUM-rebased and non AUM-rebased scenario.

Figure 3:
 Weighted Average Carbon Intensity reduction – Not AUM-rebased



Source: Candriam, December 2025

Figure 4:
 Weighted Average Carbon Intensity reduction – AUM-rebased



Source: Candriam, December 2025

The challenge of integrating scope 3 emissions in our decarbonisation commitment

Our portfolio decarbonisation targets have so far been set on scope 1 and 2 emissions only. We intend to expand our commitments to include scope 3 emissions as soon as the data reaches the level of quality and reliability required to support robust investment objectives.

The limitations of scope 3 emissions data are both methodological and structural in nature:

Methodological limitations:

Scope 3 emissions are only partially reported by companies, meaning that the majority of available data relies on estimates provided via external data vendors. These estimates are generally not based on bottom-up fundamental analyses, but rather on statistical models that calculate a sector emission factor based on the limited data that companies disclose, and apply the same underestimated sector emission factor across all companies in the sector – regardless of their actual business model. In practice, this means that a company developing electric vehicle (EV) charging infrastructure may be assigned scope 3 emissions comparable to a company focused entirely on thermal-based transportation. In hard-to-assess sectors such as banks and financials, both company-reported data and data providers estimates may be underestimated by a factor of ten to what a proper PCAF based assessment would require. This also means that as disclosure of scope 3 emission improves, reported scope 3 emissions will increase mechanically. This makes it extremely difficult to set any credible long term reduction objective at this stage.

Structural limitations:

While scope 3 emissions offer a more comprehensive view of the emissions produced by the entire value chain of an activity or industry, they are subject to strong sectoral biases – just as for scopes 1 and 2 data. By their nature, certain sectors, especially in industry, have much higher scope 3 emissions – although this is not necessarily a reflection of a climate strategy. This is particularly true for capital goods, which are at the heart of industrial processes and have very high scope 3 (downstream) emissions. This is even more the case for companies that provide equipment or solutions aimed at helping their clients reduce energy consumption. These firms may carry in their scope 3 some of the CO₂ emissions linked to their customers' energy use. Despite being at the heart of the energy transition, these companies could be excluded from portfolios targeting scope 3 reductions. They could even be discouraged from working with higher-emitting clients, in favour of low-carbon sectors and activities which could lead to outcomes inconsistent with financing the transition!

In summary, while scope 3 carbon data is essential for issuer-level climate analysis, particularly for assessing companies' alignment with the objectives of the Paris Agreement, it remains challenging to integrate robust scope 3 emission reduction targets at portfolio level. However, we aim to be able to integrate scope 3 emissions into our objectives in the coming years.

In our continued effort to contribute to real-world decarbonisation, a key limitation of portfolio-level decarbonisation targets is the fact that financial decarbonisation does not always equate real decarbonisation of underlying assets. In fact, it is very easy to reduce the carbon intensity of a portfolio by simply divesting from carbon intensive sectors, i.e. the part of the economy that needs to decarbonize (utilities, transport, building, industry), and reallocating capital to inherently low-carbon sectors like technology, services, or pharmaceuticals. However, doing so does not equate investing in a low-carbon world. Rather, it means investing in a low climate stake world that may not play a central role in the transition. This is why aligning our investment with net zero goals should not be approached solely at the portfolio or sub-portfolio level. It should also be a fundamental exercise at issuer level.

3. Aligning our investments with net zero

To go beyond the artificial nature of “financial decarbonisation”, it is essential to focus on investing in high-stake companies – those that are either actively contributing positively or transforming their business models to credibly align with net zero goals. Achieving this requires a systematic assessment of how companies are progressing on the decarbonisation of their products and activities, especially in sectors that are central to the energy transition.

Why is assessing Paris-alignment at issuer level key to contributing to real-world decarbonisation?

Portfolio decarbonisation has historically been seen as a key lever for building climate strategies, including Paris-aligned benchmarks. However, this sole focus on portfolio decarbonisation has not translated into real-world decarbonisation, and is increasingly attracting criticism for leading to so-called “paper decarbonisation”.

The limits of so-called “low-carbon portfolios” are that, by construction:

- **They are based on carbon metrics only, which provide a simplistic view of climate positioning that creates sector biases.** The issue is that considering solely carbon footprint or intensity as the main indicator to portfolio positioning can result in so-called Paris-aligned portfolios that are overweight sectors that contribute relatively little to the transition (technology, banks, pharmaceuticals) and underweight sectors that are key to decarbonisation (industrials and transport). In recent years, this has contributed to what is now referred to as “paper decarbonisation”: a reduction in finance-oriented carbon metrics such as carbon footprint, without necessarily achieving real-world decarbonisation. In some cases, much of the reduction in carbon footprint may be driven by the denominator – for example, an increase in enterprise value – rather than by a reduction in absolute emissions. Many strategies replicating Paris-aligned benchmarks tend to overweight sectors such as technology, software and media, which have seen their carbon

footprints decrease significantly as a result of market effect, while their absolute emissions have increased, particularly when scope 3 emissions are taken into account.

- **They are backward looking.** These approaches are based primarily on backward looking carbon data, rather than assessing the credibility of companies’ transition strategies, which is fundamentally a forward-looking exercise.
- **They are not adapted to science-based sector decarbonisation pathways.** The decarbonisation objective is set at portfolio level, without fully taking into account that each sector or activity has its own Paris-aligned pathway, reflecting different economic and technological realities. For example, in the IEA 1.5 Net Zero Emissions by 2050 scenario, the power generation sector reaches net zero emissions in OECD countries by 2035 and in non-OECD countries by 2040, while hard-to-abate sectors such as cement, steel and chemicals follow more progressive decarbonisation pathways towards net zero by 2050. We therefore cannot expect the same rate of decarbonisation from a utility company as from a cement producer, and pathways may also vary depending on countries and regions. This is why it is fundamental to assess the credibility of companies’ transition strategies against sector specific decarbonisation pathways and using sector-specific climate metrics.

We have developed a **Net Zero Assessment framework** that helps position companies on a net zero alignment maturity scale. In this thorough company-specific assessment, following the recommended Sector Decarbonisation Approach (SDA), we assess whether the company has set climate targets that are aligned with its sector-specific net zero sector decarbonisation pathway, using the most relevant sector-specific indicator (usually physical emissions

intensity). We also evaluate the company's ability to achieve these targets with an in-depth review of its governance, strategy and capital allocation. We pay particular attention to the company's lobbying activities, the integration of climate considerations into accounting practices and risk management systems, as well as its plans to mitigate the social impacts of the transition.

Figure 5:
Candriam's proprietary Net Zero Assessment 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 Net Zero Investment Framework from IIGCC

According to the results of this net zero assessment framework, all companies are categorised into five levels of alignment maturity, showing how advanced they are in their transition journey.

Figure 6:

Candriam's companies classification

	Alignment maturity	Description
	Achieving net zero	Current emissions at/close to 2050 net zero level & investment plan / business model in line with net zero
	Aligned with a net-zero pathway	Companies that have set relevant targets and credible action plan to align with their sector specific net zero pathway
	Aligning towards net zero	Companies that have set relevant net zero targets, but whose action plan and investments will need to accelerate to align with their sector specific net zero pathway
	Committed to Net Zero	Companies that have set net zero targets but without clear action plan and investments to transition
	Not aligned / incompatible	Companies that have not yet committed to net zero and/or whose activities are incompatible with a 1.5°C trajectory

At end 2025, we have analysed 122 of our highest-emitting companies according to this framework.

We have conducted this net zero assessment on all high-stake companies within our net zero perimeter. The chart hereafter shows the breakdown of our financed emissions by level of alignment maturity.

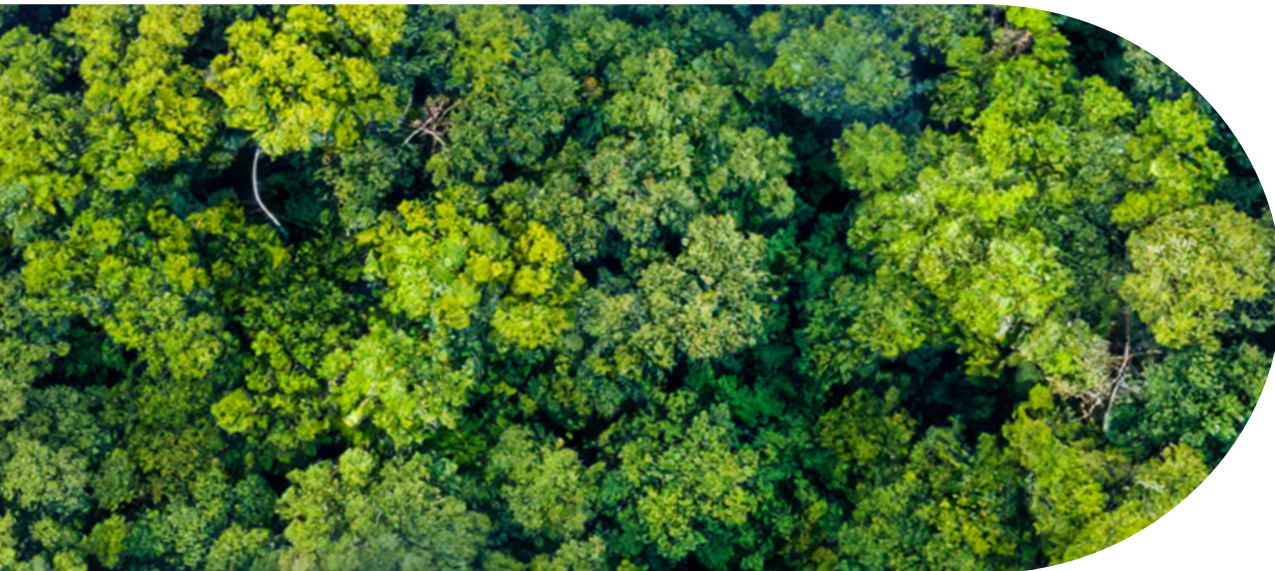
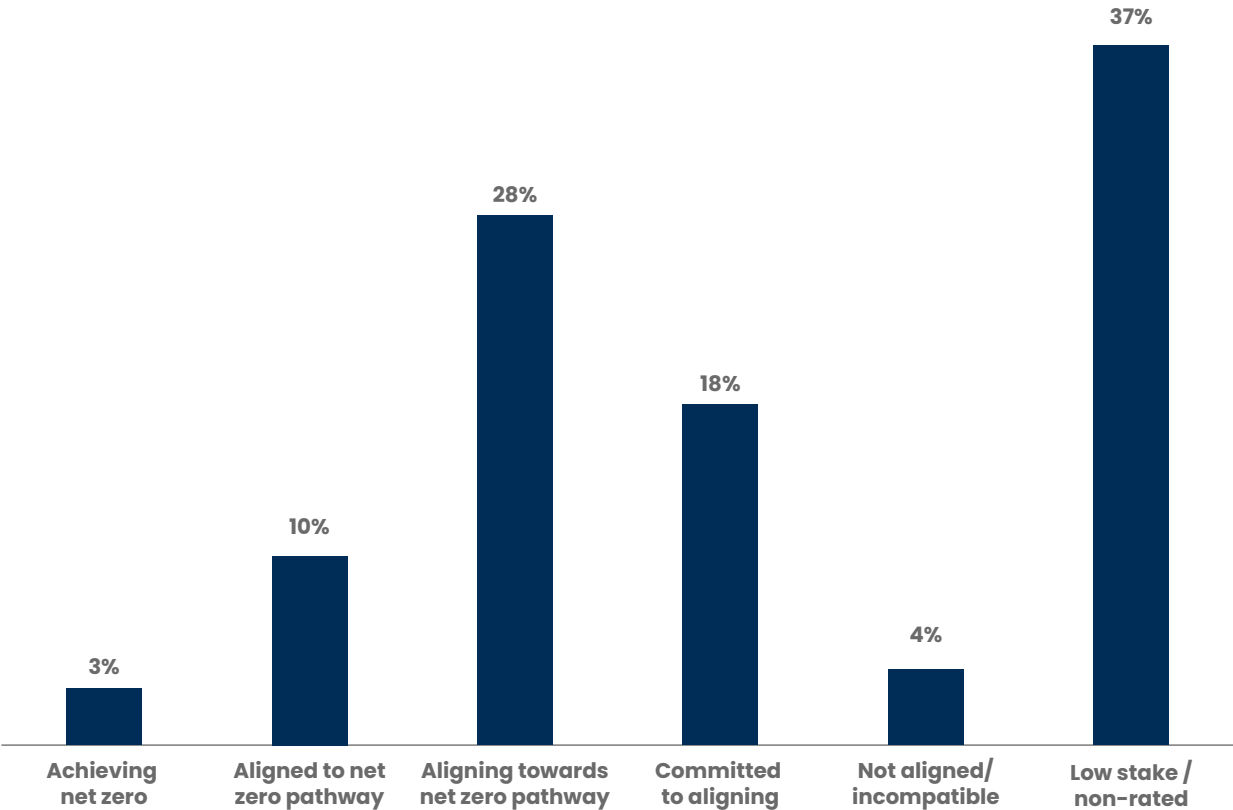


Figure 7:
 Breakdown of alignment maturity according to Candriam’s proprietary Net Zero Assessment framework
 (as a % of financed emissions)



Source: Candriam, December 2025

Our objective is to reach 50% of our financed emissions in companies assessed as “Achieving net zero” or “Aligned with a net-zero pathway” by 2030. Currently, this share is 13%, reflecting the strictness of our evaluation framework, and the need to accelerate our engagement efforts. We however note a small increase from 12% at end 2024.

How does our net zero assessment framework compare with an external reference framework such as SBTi (Science-Based Target Initiative)?

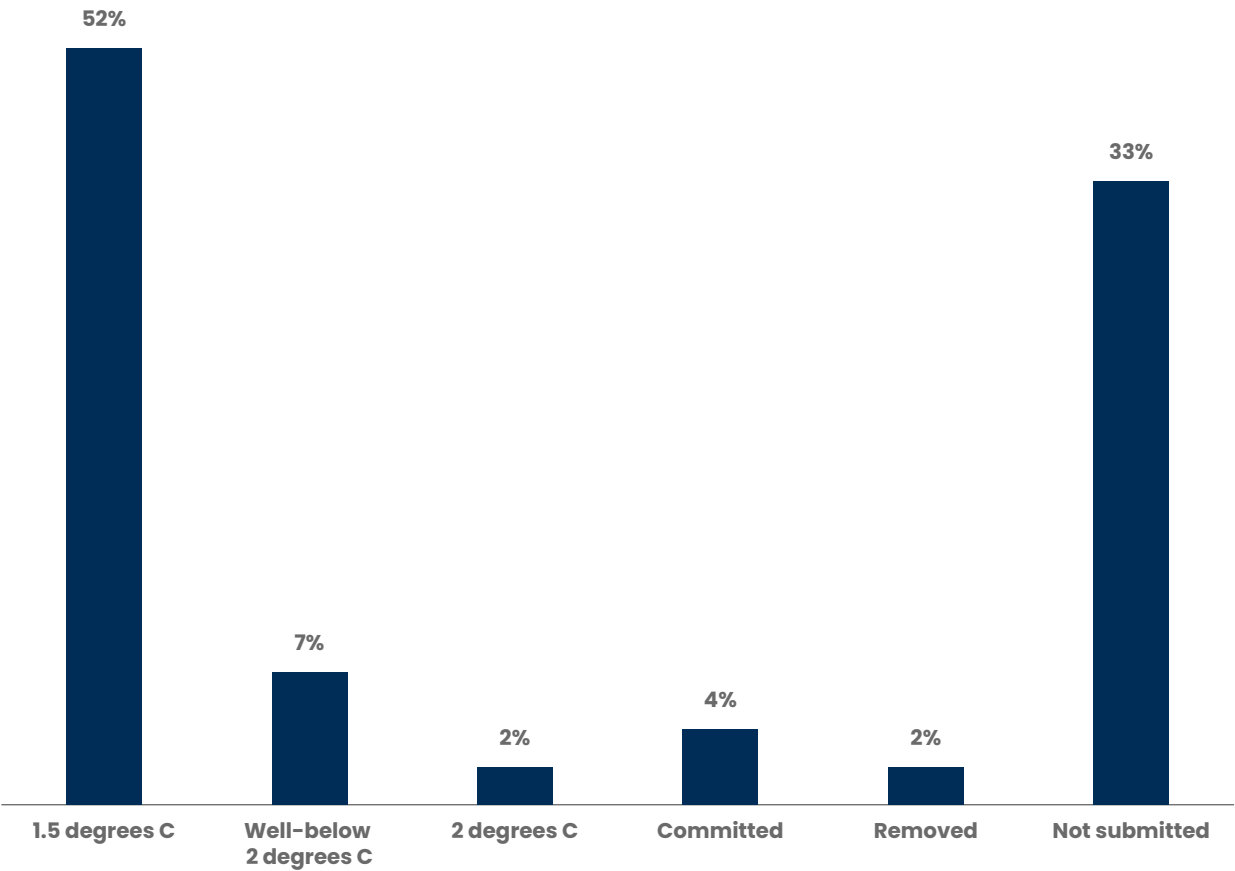
For reference, and as this information is increasingly used and demanded by clients, we have added below the breakdown of our financed emissions according to the Science-Based targets validation categories.

This assessment shows that about 52% of our financed emissions are coming from companies that have had their climate

targets validated as “aligned with a 1.5°C trajectory”, which is much higher than our own net zero assessment (13% “net zero” or “aligned”).

This highlights the fact that our net zero assessment framework is in our view, significantly more stringent than the SBTi target validation process: our framework does not only assess the credibility of climate targets, but goes further by evaluating the company’s capacity to deliver on those targets, looking at their strategy, investments and governance. Another key point of divergence lies in our emphasis on absolute emissions reduction. We require companies to set absolute reduction targets, or at a minimum, to clearly demonstrate how relative targets will translate into absolute emissions reduction across all relevant scopes, including scope 3 where relevant. SBTi still provides more flexibility to companies in computing their scope 3 emissions targets – in practice, most companies only commit to small intensity-based reduction targets.

Figure 8:
SBTI – Target alignment



Source: Candriam

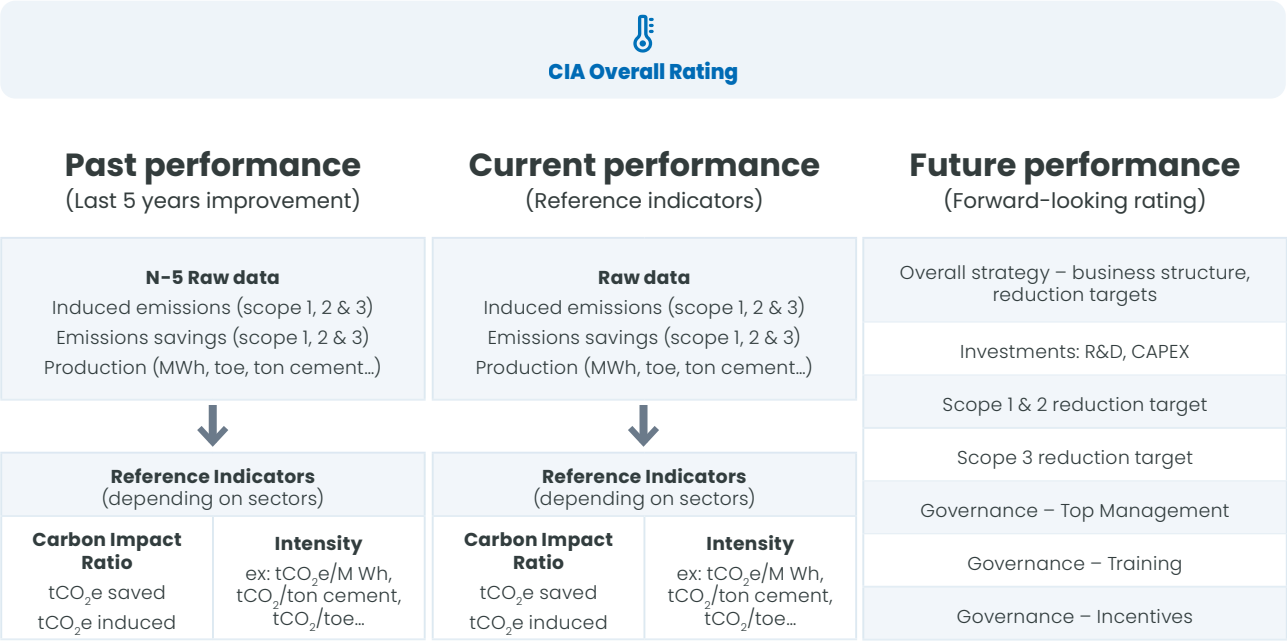
What is the temperature of our net zero perimeter?

In our climate monitoring, we use temperature metrics to evaluate the extent to which our investments contribute to the energy transition. The climate rating and temperature measurement method is provided by our partner Carbon4Finance, whose methodology is in our view, among the strictest on the market, with a strong focus on the contribution to the energy transition and due consideration given to scope 3 emissions.

In its climate assessment, Carbon4Finance combines past, present and forward-looking metrics in order to evaluate the company's decarbonisation trajectory as well as its ability to achieve it, and to assess its degree of alignment with the sector Paris-aligned trajectory.



Figure 9
Carbon4Finance climate impact analysis framework



4. Financing the ecological transition.

Using our net zero assessment framework to assess key contributors to the energy transition

Our net zero assessment framework allows us to assess our investments' level of alignment with net zero trajectories. This evaluation is used to help reallocate our investments towards companies that are either already "achieving net zero" or whose decarbonisation strategy is aligned with a credible Paris-aligned pathway. Reaching the target of 50% of our financed emissions in companies that are net zero or aligned with a net zero pathway will need to be achieved both through engagement and through the reallocation of assets towards companies that are positively contributing to the transition.

Investing in green bonds

Candriam leverages green debt instruments to actively support and finance the ecological transition of both corporate and sovereign issuers. Through primary markets investments in labelled issuances—such as green bonds—we help channel capital toward a wide range of eligible projects that contribute to decarbonisation efforts, including but not limited to renewable energy, energy efficiency, sustainable water management, and natural resources preservation and restoration related projects, thereby supporting issuers in meeting their climate-related commitments.

To reinforce this approach, Candriam has established Key Performance Indicators (KPIs) for several of its Fixed Income strategies²⁰, setting a minimum threshold for the percentage of the portfolio's total net assets that must be allocated to green bonds. These targets typically range from 10% to 20%, depending on the specific strategy, and reflect our commitment to integrating sustainability objectives into our investment processes.

In addition, Candriam has developed a dedicated **bond impact strategy** which aims to take this commitment one step further. This strategy seeks not only to finance the ecological transition of corporate and sovereign issuers, but also aim to generate measurable, long-term positive impact

through its investments. For this strategy, a KPI has been set requiring a minimum of 75% of the portfolio to be invested in Green, Social, or Sustainability Bonds. Moreover, the fund may also invest in Sustainability-Linked Bonds (SLBs), which in our view further support decarbonisation efforts. These instruments have performance-based features, such as coupon adjustments tied to the issuer's achievement of predefined environmental or climate-related targets, thereby reinforcing our financing of the ecological transition.

As an example, in 2025 the fund invested in EDP's green bond issued in March 2022, and also assessed the issuer as potentially eligible for future green bond issuances.

EDP is a Portuguese utility company with a strong climate transition strategy. As of 2024, 95% of its electricity generation mix came from renewable sources, supported by a commitment to reach 100% renewable electricity generation by 2030 and to achieve net zero by 2040. These targets, which are aligned with the IEA net zero scenario, underline the company's strong positioning within the energy transition.

Over recent years, EDP has made extensive use of green debt instruments to finance its decarbonisation strategy. Between 2022 and 2025, the company issued 11 green bonds, with almost EUR8 billion allocated to renewable energy projects.²¹

The March 2022 green bond in which we invested was fully allocated to onshore and offshore wind and solar photovoltaic projects. These projects supported the installation of 1,549 MW of new renewable energy capacity and are expected to avoid 2,220,372 tCO₂e annually.²²

This green bond investment therefore provided exposure to an issuer with a credible and ambitious transition strategy, while supporting the allocation of capital towards the expansion of renewable energy infrastructure and the associated reduction in greenhouse gas emissions.

As of the end of 2025, 21% of the AUM within our fixed income funds included in our net zero perimeter were invested in green bonds.

²⁰ For the threshold applicable to each strategy, please refer to [Candriam's fund page](#)

²¹ Source: Candriam, LGX; Issuances from EDP – Energias de Portugal SA, and EDP Finance B.V.

²² Source: [Green Report 2025 – EDP](#)

Environmental thematic funds

Candriam manages a range of thematic, environmental strategies directly focused on climate-related matters. These include 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. **At the end of 2025, these three strategies represented EUR1.1 bn of assets.**²³

We continuously work to expand our climate-focused investment offering, seeking opportunities to materially contribute to climate solutions across asset classes.

Taxonomy-aligned investments

It is not an easy exercise to assess what is “green” – as shown by years of debate and amendments on the EU taxonomy. Today, even the EU taxonomy can be subject to interpretation and does not differentiate in terms of level of “greenness” or priority technology for the transition.

As mandated by the SFDR regulation, we have integrated taxonomy-related data in our systems, and we calculate for each fund its level of alignment with the EU taxonomy. However, we have not yet set quantified objectives on this, due to the poor quality and reliability of data that mostly remain estimates from data vendors.

As of end of 2025, 7.8% of our net zero perimeter was aligned with the EU taxonomy, which is superior to the alignment of MSCI ACWI (6.0%).

Looking for more impact-oriented KPIs

We are also continuously monitoring new developments related to more sophisticated and impact oriented KPIs, such as avoided CO₂ emissions, which would be a valuable complement to traditional carbon KPIs in order to assess a company's contribution to reaching the goals of the Paris agreement. However, here again the quality and reliability of data remain insufficient.



²³ Source: Candriam

Next steps.

2025 has been another challenging year for ESG investing, and climate-related investments in particular. While climate impacts are multiplying and intensifying, we have seen major rollbacks in environmental regulation and climate action across the world. However, **political sentiment alone will not stop a transition already in motion**, increasingly fuelled by economic and geopolitical factors. Yes, the transition is experiencing delays, but it is by no means derailed.

And there is reason for optimism. **Climate investment reached a new record in 2025, with around USD2.3 trillion invested in the energy transition**, an 8% increase from 2024.²⁴ We expect this figure to increase further in 2026, supported in particular by significant investment plans for electricity grids around the world. The energy transition is no longer driven solely by environmental ambition. It has become a strategic imperative for industrial competitiveness, energy security and economic resilience. Governments are accelerating on investment in energy infrastructure, and developing local supply chains around clean energy has become a sovereignty imperative. Investment in clean technologies, modern electricity networks, energy storage and low-carbon infrastructure is reshaping economies at an accelerated pace and creating significant opportunities for investment, innovation and growth.

Despite the challenges faced by climate investments in general and net zero targets in particular, **we have reaffirmed all our net zero objectives**. We continue to work towards our net zero ambition with several priorities for 2026:

- improving the quality and reliability of scope 3 emissions data in order to integrate scope 3 emissions reduction as an investment objective across a broader scope of our investments;
- integrating physical risks into our monitoring of climate risks across our investments;
- and refining the financial integration of both transition and physical climate risks.

We will also further enhance our climate voting policy through a more transparent and granular articulation of our clients' climate objectives, and a more explicit integration of biodiversity considerations into our environmental voting policy.

Climate change is not a political or ideological question; it is a physical reality. We strongly believe that **the financial materiality of climate risks will continue to increase, with systemic implications**. In this scenario, **it is our fiduciary responsibility to integrate these risks** and continue developing more sophisticated tools to anticipate financial impacts on investments. 2026 will probably see more climate integration, not less, in order to turn climate uncertainty into informed decisions—and informed decisions into resilience.

²⁴ BloombergNEF's Energy Transition Investment Trends 2026, January 2026



€177 Bn

of assets under management
30 June 2026



600+

experts
at your service



+25 years

of innovation
and expertise

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